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# ***JPRS Report***

# **China**

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# China

JPRS-CAR-92-094

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## NATIONAL AFFAIRS, POLICY

### Guo Shuqing Advocates Transformation of State Sector

93CE0112A Beijing JINGJI RIBAO in Chinese  
12 Oct 92 p 3

[Article by Guo Shuqing: "To Achieve System Transformation, It Is Necessary To Focus on the State Sector"]

[Text] Proposing the idea of a socialist market economy is based on a review of the chief experiences learned during the exploratory reform efforts of the past dozen years in China.

The main task for the present stage of China's economic reform is to complete the transformation on the basis of having largely transformed the economic system in the past dozen years.

A large part of the nonstate sector, now very strong, came into being only after the start of the reform, and is not that heavily burdened by tradition; but the state sector is exactly the opposite.

The goal of reforming the state sector is to make it capable of adapting to the functioning of market economy mechanisms; therefore it is necessary to carry out reforms in all areas.

Making socialist market economy the goal of reform not only has clarified a whole series of issues of right and wrong, but will also be helpful, in practice, to making various reform steps and plans more specific. This will surely play an important part in speeding up the transformation process of China's economic system.

Proposing the idea of a socialist market economy can also be said to be in fact based on a review of the chief experiences learned during the exploratory reform efforts during the past dozen years. The most important reason why China can achieve great successes in reform is that it has adhered to the market orientation most of the time.

After 13 years of efforts to reform and open up, the operating mechanisms of China's economy have been basically transformed from being centered around direct mandatory planning to being based on market regulation in terms of supply and demand. Most enterprises have acquired basic understanding and capability necessary for operating in the marketplace, but the corresponding understanding and capability concerning risk-taking are far from adequate. Such a problem is especially prominent in state enterprises. A goods market has basically formed, but still needs to be completed and perfected. Speeding up the development of a factor market has been put on the agenda, and has become the new focus in fostering the market. Transformation of the government's economic functions and management approaches cannot be delayed for another moment.

In a nutshell, the task of the present stage of China's economic reform is to complete the transformation on the basis of having largely transformed the economic system in the past dozen years.

The problems that must be solved are:

(1) Thoroughly separate government from enterprises, and make operation rights, ownership rights, administrative supervising authority, and the authority for macroeconomic regulation and control independent of each other. Turn enterprises into microeconomic entities truly capable of independent operation in a commodity economy. To achieve that objective, it is necessary to eliminate all mandatory planning governing enterprises, and similar administrative interference. Although in the future the state may still have to maintain certain direct quantitative controls (e.g., quotas) in a few areas, such controls will be over industries instead of enterprises.

(2) Clarify and balance the relationships among price, taxation, fiscal outlays, and bank credit. To deal with the problem of production-related losses caused by irrational prices (now called policy losses), it is necessary to rationalize prices and discontinue the practices of compensating those suffering losses through such artificial distortions as tax breaks, financial subsidies, or even tying up bank credit without consent (now called nonrepayment). Countless cases have proven that these practices inevitably cause confusion in economic relations, and responsibilities and rights are not clearly demarcated. As a result, production enterprises lose their enthusiasm for improving business operation, taxation and fiscal operations are no longer taken seriously, and banking institutions cannot operate as enterprises. In the future, because of considerations of overall social benefit, prices for a very few goods of public importance cannot be set at such levels as to make the production of, and dealing in, these goods cost effective. To stabilize agricultural production, the state also has to set protective prices for agricultural products. In such situations, it is necessary to set aside the money for subsidies in fiscal allocations, but never to force the banks to give credit support.

(3) Establish a new framework for employment, wage, social security and welfare systems on the basis of a commodity economy. Thoroughly change the traditional methods of unified state job assignment and fixed employment, change the egalitarian wage structure, and change the model of low wages/high benefits under which the state and enterprises cover all social security costs. Implement an open, flexible employment system, a wage system that fully reflects the differences in contributions made and in work done, and an openly monetized system of social security and welfare that is paid for by employees and enterprises together. The government will only provide relief and help to those members of society who lack basic means of living.

(4) Form normal relations between the government and activities of the market economy. The fundamental goal

of the state's legislative, executive and judiciary systems is to protect and facilitate, but not hamper or disrupt the functioning of market mechanisms. As organizer of social consumption, the government can enter the goods market; as owner of state assets, the relevant state organs can enter the market to trade ownership rights; as owner of state land, the government can enter the market to lease and transfer use rights over land; and as issuer of currency, the central bank can enter the currency market and securities market. In such market activities, the state and its organs must all observe the rules of the market, whether their objectives and motives are the same as those of other actors in the market. In fact, herein also lies exactly the fundamental difference between indirect macroeconomic regulation and control and direct macroeconomic regulation and control.

(5) Form a new relationship between the central and local governments to meet the needs of the existence and development of a unified national competitive market system, and the needs of the overall development of the economy and society. Besides building and managing national infrastructure, the economic functions of the central government mainly lie in conducting unified macroeconomic regulation and control. The economic function of local governments mainly lie in building and managing local infrastructure, and improving local investment environment in a comprehensive way. To effectively discharge their duty, the central government's departments in charge of macroeconomic regulation and control can, if there is need, set up representative offices in the localities in a manner consistent with the division of economic regions. These institutions would not be subordinate administratively to local governments, and would directly answer to central authorities in its work without any outside interference.

Although some aspects of the big problems listed above concern the collective sector (for example township enterprises also face the problem of further separating government from enterprises), the problems in an overall sense concern the functioning mechanisms of the national economy as a whole. However, obviously, the crux of the matter for all the problems mainly concerns the state sector, that is, state enterprises and the state's economic management bodies. The fact of the matter is that in terms of achieving the complete transformation of the economic system, the tough battle in the reform is to transform the state sector. If China achieved initial successes in economic reform and development in the 1980s mainly through invigorating the nonstate sector, then it is necessary to achieve a fundamental breakthrough in the state sector in order to be crowned with the ultimate victory in the 1990s.

In fact, from the perspective of development, one would come to the same conclusion. We are faced with a new era of the transformation of the industrial structure, and it is necessary to resolve the "bottlenecks" caused by problems in such basic industries as transport, communications, energy and raw and other materials. It is necessary to greatly expand service industries, including,

most importantly, such dynamic sectors as education, science and technology, and finance. While continuing to develop the manufacturing industries for consumer goods, it is also necessary to accelerate the growth of the manufacturing industries for capital goods and basic instruments such as automobiles, aircraft, ships, machine tools and integrated circuit products. These industries are just the ones where state enterprises are in a monopoly or dominant position. The main reason these industries have stagnated, in a relative sense, in the past dozen years is that there has been no fundamental transformation of the operating mechanisms of the state sector. If we do not strive for an early frontal breakthrough to revitalize the state sector itself but continue to induce replacement through the accelerated growth and expansion of the nonstate sector, then we undoubtedly have to wait a long time. Such a situation creates tremendous waste, and it is very likely that we will miss a very good opportunity in regard to China's economic development. Herein lies the importance of the issue.

However, reform of the state sector is even more revolutionary in nature. Of the nonstate sector which is now very strong, a large part (e.g., most township enterprises, foreign-funded enterprises, and private enterprises) came into being only after the start of the reform. They are not that burdened by tradition. But the state sector is the exact opposite. To the state sector, reform means to a large extent self-negation. To seek new life, many state enterprises will have to change their status, in such ways as turning, for example, into nonstate public enterprises or enterprises of other forms of mixed ownership. This will undoubtedly be a process of painful transformation.

The goal of reforming the state sector is to make it capable of adapting to the functioning of market mechanisms. This will surely involve reforms in all areas. The most important ones are:

(1) Reform the system of ownership rights. The specific objective of this reform is to determine in a clear and concrete manner who would actually exercise ownership rights over state enterprises. One possible approach would be to have the government appoint people who would exercise ownership rights, and send them to the relevant enterprises to assume the position of directors or chairmen of the boards of directors. But businesses and economists would raise the following question: What is the difference in behavior between those people and the previous supervisory departments? It is really difficult to believe that there would be fundamental changes. This method is at most a tentative transitional method. We believe the following several plans should be adopted in the reform of the ownership rights over state enterprises in different situations: a) The state should completely own, or hold controlling shares of, enterprises in natural monopoly industries, and the relevant government bodies should appoint top management personnel of enterprises in these industries. b) With regard to some good nonmonopoly enterprises, the state should entrust the assets to the enterprises' collective leadership groups that operate the enterprises. c) With

regard to the rest, and most of the state enterprises, the main point of the plan is have the enterprises hold each other's shares, thereby forming a situation where the enterprises hold each other's shares and have directors on each other's boards.

(2) Establish a new social security system. Currently the so-called reform of social security system is regarded as an internal reform for enterprises. In fact, the government should become the leader and organizer of this reform. If the issue is not viewed from the perspective of the entire society, there would not be a national social security system, let alone reform of the social security system. In designing the new social security system, we should give special attention to the experience and lessons of developed countries, and should not repeat the mistake that has led to the "welfare disease." Otherwise, we will be picking up another iron rice bowl after having broken one. In this regard, Singapore's public savings fund is of reference value to us.

(3) Push banks and financial institutions to operate as enterprises. Enterprise reform and the transformation of enterprises' operating mechanisms we often talk about mainly refer to industrial and commercial enterprises, and usually do not refer to banks and other financial institutions. But facts have proven that if there are no specialized banks operating as enterprises, it is impossible to achieve the transformation of the operating mechanisms of the other industrial and commercial enterprises. When banks and other financial institutions operate as enterprises, an important precondition is to take policy-related financial work out of these institutions, and only such a method can make it possible for them to operate independently.

We will be able to achieve fundamental reform of the state sector and complete the shift to a market economy, by focusing on reforms in those important areas and by coordinating the reform effort around the reforms in those areas.

#### **Former Commodity Price Chief on Enterprise Pricing**

93CE0116A Beijing ZHONGGUO WUJIA [PRICES IN CHINA] in Chinese No 9, 17 Sep 92 pp 4-9

[Article by Cheng Zhiping (2052 5268 1627), director of the State Commodity Prices General Administration until July 1990: "On Enterprise Pricing and State Macroeconomic Regulation and Control"]

[Text]

#### **I.**

China has practiced a highly-centralized planned economy ever since it was founded. Our society's economic operations were essentially regulated by state planning, with the production, distribution, and circulation of commodities important to the national economy and the people's livelihood being assigned and arranged

at all levels by state organs through directive plans. This meant that all commodity prices were set by the state, leaving enterprises with virtually no pricing authority. While such a highly centralized, planned economy played an effective role in the recovery and development of our national economy in the early days after China's founding, its defects became increasingly clear as our economy developed further. The lack of enterprise independence under this system made it hard to adapt products to changing market demand, so that many prices could not reflect value and supply and demand. This often created unmarketable products and poor efficiency, and severely hampered the development of our society's productive forces. While many attempts were made to improve China's planned economy before 1979, these were mainly adjustments in the division of central and local jurisdictions, and attempts to arouse central and local initiative to solve existing problems. In this process, we overlooked an essential matter: how to arouse the initiative of enterprises—our society's economic "cells"—to develop our socialist commodity economy; realize the socialization and modernization of our national economy; and how to fully arouse broad public initiative in order to promote the rapid, efficient, sustained, stable, and balanced growth of our socialist economy, and to fully assure socialist China's success in the midst of sharp international economic competition. In order to deal with this matter, we had to essentially change our highly centralized planned economy, by separating government administration from enterprise management, so that enterprises could become commodity producers and managers with legal independence, sole responsibility for their own profits and losses, self-development and self-restraint forces, and responsibility for the consequences of their own operations in the midst of fair competition and selection of excellence by elimination through competition. This meant that the government had to return authority to enterprises. With regard to prices, this meant completely deregulating most prices that should and could be deregulated, so that enterprises would have pricing authority.

The deepening of economic reforms since the Third Plenary Session of the 11th CPC Central Committee in December 1978 has brought about great changes. The "CPC Central Committee Resolution on Economic Reform" passed by the Third Plenary Session of the 12th CPC Central Committee in 1984 clearly pointed out that our socialist planned economy was a planned commodity economy based on public ownership. This meant that as commodity economy "cells," our producing and operating grassroots enterprises were independent economic entities that were subject to state macroeconomic regulation and control, and that should enjoy pricing authority in accordance with state regulations. Then the "China State-Owned Industrial Enterprise Law" (applying in principle to farming, forestry, and commerce enterprises) passed by the first session of the seventh NPC in April 1984, fully confirmed that enterprises already had pricing authority. Chapter 3 of this "enterprise law," on "enterprise rights and duties," clearly provided that "except for the prices that the State Council stipulates are to be controlled by the pricing



sector and pertinent responsible departments, enterprises have the authority to set their own product and labor prices." In July 1992, based on the "enterprise law," the State Council published the "Regulations on Converting Operating Forces of State-Owned Industrial Enterprises." In order to make enterprises more market oriented, so that they can compete on equal terms, become solely responsible for their own profits and losses, and have increased pricing authority, these "regulations" clearly provide that, except for the prices of the few manufactured daily necessity, consumer, and capital goods that are set by the government, other product prices and enterprise-provided labor prices for jobs such as manufacturing, maintenance, and technical coordination will be set by enterprises themselves. They further stipulate that concerned government departments may not "interfere with or intercede in enterprise product or labor pricing authority," with violators being ordered to stop, and serious violators being punished in accordance with law. These regulations will help enterprises exercise their independence so that they can gradually evolve socialist market price operating forces.

A review of China's 14 years of price reform (from 1979 through 1992) shows that they began with a combination of adjustment and deregulation, with the emphasis on adjustment; moved to a mid-period of combined deregulation and adjustment, with the emphasis on deregulation; and have turned in recent years to control of a few prices, with deregulation of most prices. State Commodity Prices General Administration statistics for 1991 show that in retail commodity sales, 20.9 percent of prices were set by the state, 10.3 percent were state-guided, and 68.8 percent were market-regulated. In farm products sold by peasants, 22.2 percent of prices were set by the state, 20 percent were state-guided, and 57.8 percent were market-regulated. Of manufactured capital goods producer prices, 36 percent were set by the state, 18.3 percent were state-guided, and 45.7 percent were market-regulated. Many commodity prices have been further deregulated in 1992, with 228 counties in 13 provinces and autonomous regions experimenting to various degrees with grain price deregulation. In light industrial goods, the state still sets prices for only a few commodities, such as table salt and key drugs. Prices of heavy industrial goods, such as coal, machinery, industrial chemicals, metallurgical products, and nonferrous metals, have also been largely deregulated. It is projected that by the end of 1992, state-set prices will account for only about 20 percent of farm products and light and heavy industrial commodities, with market prices being decisively dominant, meaning that we will have begun to evolve a price management framework suited to our socialist market economy. This is a major historical change in China's price management system.

In order to implement the "Regulations on Converting Operating Forces of State-Owned Industrial Enterprises" so that the pricing authority devolved from the state to enterprises will play an active role in speeding up the growth of our society's productive forces, we are

faced with the urgent tasks of studying enterprise pricing tactics and methods, and exploring state macroeconomic regulation and control of deregulated prices.

## II.

Once enterprises become independent commodity producers and managers, they will be bound to pursue their own operating interests. While this means that enterprises will strive to improve their management and administration using advanced scientific technology and improving their labor productivity so that they can provide society with better, increased, and more marketable commodities, it is also likely to cause violations of state policies, laws, and regulations; lowering of commodity quality; manipulation of commodity prices; and encroachment on the legitimate interests of other producing and operating enterprises and even consumers in the pursuit of illegal profits. In order to ensure that enterprise pricing plays a positive role in contributing to our socialist economic development and to avoid its negative impact, we must rely on state macroeconomic regulation and control and enterprise self-restraint by harmonizing enterprise efficiency with social benefits, so that we can optimize our enterprise microeconomic efficiency within the limits allowed by state planned guidance, policies, laws, and regulations.

While many enterprises are now taking advantage of the pricing authority the state has returned to them in order to promote production and marketing with flexible pricing, others are acting according to the following three tendencies, which must be eliminated:

1. Enterprises stick to the old ways by not really setting their own prices. Since the state has deregulated prices, many enterprises are still following and continuing to use state pricing methods, setting prices according to former pricing methods or mark-up rates. This not only means that they are not taking full advantage of their pricing authority, but that they are not using it at all. Of course, while state pricing margins and pricing methods are certainly not completely without value, it is wrong to totally follow the old methods instead of taking advantage of enterprise independence to set prices flexibly.

2. Enterprises set prices arbitrarily and blindly. When state pricing is first deregulated, enterprises are unclear about pricing principles and have no established pricing systems. Some use "off-the-cuff prices," setting prices arbitrarily, others employ "out-of-the-book prices," which reflect neither value nor supply and demand, while others set such "vile prices" that they leave consumers speechless with indignation. Such acts need to be stopped as quickly as possible.

3. Enterprises control, manipulate, and set monopoly prices. Some use the monopoly prices of their industry, some allow their state-devolved pricing authority to be intercepted and manipulated by their responsible departments, and others employ administrative orders to stipulate higher prices for goods sold outside of their locality; all of this is deregulation in name but in fact it

is monopoly, cheating and tyranny, unfair competition, and the illegal forcing up of prices, which encroaches on the legitimate interests of consumers.

In order for enterprise leaders and pricing staffs to use their enterprise pricing authority well, they must first learn the "four rules of pricing," which are thorough understandings of: the need to observe pertinent government policies, laws, and regulations; market commodity supply and demand and competition conditions; distinctive commodity features; and consumer mindsets. A mastery of these rules is necessary in order to draw up product pricing policies, size up the situation, and then judge the time to choose specific commodity pricing methods. While both Chinese and foreign enterprises too many pricing methods to mention individually, they invariably fall into one of the following categories: 1. Setting specific prices based on product cost, while taking into consideration factors such as supply and demand, markets, and profits. 2. Setting specific prices based on market supply and demand and competitive circumstances, while taking into consideration factors such as cost and profits. In practice, enterprise pricing usually takes a number of factors into overall consideration, by calculating the price base with a certain pricing method, combining this with relevant factors to add or subtract certain figures, and then making the decision. According to the principles of Marxist economics, price is a monetary expression of value, so that pricing must consider cost; prices are realized through market exchange, so that pricing must consider supply, demand, and competition. For instance, China's 1983 textiles price reform set new general prices for cotton cloth and washed cotton cloth that were beneficial to production and made goods marketable. Once the general prices for these two categories had been individually set, the prices for various specifications were set based mainly on manufacturing cost-profit margins combined with a few capital-profit margins. Then, based on market conditions, the pricing method was appropriately revised for particular products, such as especially fine and coarse weaves, to form a whole new pricing method, which was successful in practice. While this was an adjustment of state pricing patterns, it was comprehensible by analogy for enterprise pricing, because the actual operation of all pricing methods is interlinked, with leaders and followers, which can be combined and used flexibly.

### III.

Engels said that "the beginnings of all political power are invariably based on certain economic and social functions." (*Selected Works of Marx and Engels*, People's Publishing House, 1972 edition, Volume 3, page 222.) This means that in addition to its class function, the state also has social and socio-economic organization functions. Once China's pricing system is gradually converted to primarily enterprise pricing, the concerned state sectors must form a powerful macroeconomic regulation and control system for good indirect control of deregulated prices. Macroeconomic regulation and control, indirect control, and enterprise pricing will be the

three indispensable components of the new pricing system. The state must guide, influence, and condition enterprise pricing through economic, legal, ideological, and the necessary management and administrative means, so that enterprise pricing will help enterprises to exercise their independence, while conforming to the needs of socialist macroeconomic efficiency. This is necessary in order to combine planning with market regulation, by injecting a certain amount of planning into market forces, which will make use of pricing leverage while reducing sharp price fluctuations, so that enterprise pricing will promote the vigorous development of our society's productive forces, give our national economy high growth rates and good efficiency, and enable it to grow in a sustained, stable, and balanced way.

Although this new price operating force combines government macroeconomic regulation and control with independent enterprise pricing, it absolutely does not mean that it restricts enterprise independence or gives back authority to the state. Rather, it means that it is determined by the innate characteristics of a socialist market economy. It will be only through direct state control of a few key commodity prices, with prices of most commodities and labor charges set by enterprises, and the right amount of state macroeconomic regulation and control that combines the "invisible hand" with the "visible hand" that we will be able to achieve our goals of price rationalization and economic growth.

We need to combat the following two tendencies: 1) The current major tendency where enterprises do "not really set their own prices." Our unsound macroeconomic regulation and control mechanisms, lack of fully converting enterprise operating forces, and the undeveloped stage of our independent enterprise pricing organs, personnel, and systems, means that despite the deregulation of many prices, enterprises set prices in name but not in reality. This must be dealt with as quickly as possible. 2) Enterprises have a tendency to let things slide. Administrative interference that abandons the restraints and particular conditions of market laws on deregulated prices, resulting in sharp fluctuations in certain staple commodity prices, strikes out at production while jeopardizing consumption. This tendency must also be curbed.

Of course, since enterprises are independent, they must become entities with legally independent operations, sole responsibility for their profits and losses, and mechanisms for self-development and self-restraint; on this basis they can carry out government macroeconomic regulation and control. Government macroeconomic regulation and control must respect and protect the independent pricing authority of producers and managers, instead of supplanting it. It must observe economic laws, by conscientiously acting in accordance with the laws of value and supply and demand, instead of acting subjectively and arbitrarily. It must utilize various means of comprehensive regulation and control, instead of focusing simply on prices, with departmental and

regional divisions. And regulation and control must be graded, instead of being concentrated at one level. Government regulation and control should be both centralized and decentralized, by having nationally uniform regulations and acting in accordance with local conditions. Based on preliminary considerations, state macroeconomic regulation and control and indirect price-control in the new economic operating system should roughly accomplish the following tasks:

1) It should maintain a basic overall economic balance. The state's macroeconomic tasks are to set economic and social development strategies and to use planned arrangements and regulation and control to speed up production; guide consumption; and maintain a basic overall balance of supply and demand, as well as to maintain a basic balance of revenue, credit, and foreign trade. In particular, it must control credit growth and the money supply so that they are roughly suited to economic development needs. This will maintain relative overall price stability and contribute to production growth, business accounting, and social and political stability. While such a balance is the state's most important macroeconomic regulation and control function, and while it must be performed well, balance of course is relative and not absolute. While it is hard to prevent certain economic imbalances when the national economy is growing rapidly, with prices having certainly increased during this stage in certain countries, we cannot allow the overall imbalances between supply and demand to be too large or allow prices to rise too high. So we must continue to set annual price-control plans, by learning the signs and taking steps to keep price rises within the sustainable limits of our national might and our people's financial resources.

2) It should promote a rational industrial structure. Based on national industrial policy and the demands of optimal resource disposition and economies of scale, it should use economic leverage—such as interest, tax, and exchange rates—as well as economic policies—such as fiscal, wage, and price policies—in order to establish and perfect a social security system; regulate, control, and guide enterprise actions; and move key production elements smoothly in directions urgently needed by the national economy. This will enable the production and marketing of key commodities to contribute to balanced national economic growth, so that we can maintain as rational an industrial structure and product mix as possible.

3) It should establish sound economic laws and regulations. The state is returning authority to enterprises, enabling them to become independent producers and managers. In order to harmonize possible conflicts between individual enterprise interests and social and state interests, the state (including central and local governments) will have to draw up a set of sound economic laws and regulations, including those pricing, anti-monopoly, anti-cheating, anti-tax evasion, and anti-improper dealing laws and regulations; oversee and help enterprises establish sound enterprise labor, personnel,

wage, revenue, cost, and profit-distribution systems suited to commodity economy development; and draw up a system of economic indexes to evaluate enterprises, in order to standardize enterprise economic activities.

4) It should standardize market order. Because enterprises will set prices based on markets, the state must standardize and guide markets by developing and perfecting a market system and by developing markets into places of open trade and fair competition. This will have the impact of speeding up production and stimulating circulation. Markets should be mainly state-established, serve production and circulation, and have well-developed market pricing mechanisms and market pricing order, so that normal market functions can be brought into full play. The pricing sector must explore markets thoroughly by guiding and controlling them, publicizing pricing policies, laws, and regulations, publishing market conditions, ensuring that prices are clearly marked, settling pricing disputes, and publishing guidance and reference prices when necessary. It should guide wholesale prices to influence retail ones, and guide urban prices to influence rural ones. It should form a complete and uniform market system, so that market functions can come into full play as effective commodity economy regulators. The pricing sector in places such as Beijing and Shanghai has begun to provide pricing service and control with good results in retail trade, rural trade, and real estate markets.

5) It should establish a sound pricing information system. A key condition for correct enterprise pricing is a complete, accurate, and timely understanding of market information. As this is very difficult for individual enterprises to achieve, the state needs to set up national and local pricing information centers. These pricing information centers need to tie into a network made up of typical large and medium-size urban industrial and commercial enterprises, major wholesale and retail markets, and the concerned international and border-trade markets. The centers must expand information sources, improve information quality, perfect information networks, and collect and publish full and timely economic and pricing information in order to guide enterprise pricing, link it to trade opportunities, and develop advisory services. The pricing sector in many provinces and cities has begun to offer such services.

6) It should establish regulation systems to reserve and handle key commodities. In order to stabilize markets and ensure prompt procurement and supply of basic capital and consumer goods once prices are deregulated, it will be necessary to establish key commodity reserve and handling regulation systems at the state and enterprise levels. The state should be directly in charge of and responsible for the cost of state reserves of key commodities. In order to stabilize markets and exercise handling regulation over the few key commodities, the state should help state-owned industrial and commercial enterprises and supply and marketing cooperatives to play the dominant role. Just as "one hand washes the other," state-owned enterprises that rely on state support



should play a role in stabilizing markets for the few key commodities, as well as obtaining operating advantages.

7) It should establish a regulatory fund to retain the few necessary price subsidies. The state should establish a price regulation fund system for the few staple commodities that the public is very sensitive about and where international market price fluctuations are sharp, such as for key non-staple foods and key agricultural capital goods. Much local experience in recent years has proved that this is essential and feasible. This price regulation fund should come mainly from basic-level tax department payments—calculated at various percentages—on all sales income or operating revenues of enterprises and individual industrial and commercial operators, as well as from deductions from fines and confiscations by the industrial, commercial, and pricing sectors. When sharp price fluctuations occur, the state pricing sector could use the price regulation fund to make appropriate adjustments, enhance its regulation and control capability over deregulated prices, appropriately weaken price fluctuation momentum, and thus reduce the adverse impact of sharp price fluctuations on production and consumption. The current price subsidies that are paid out of state revenues should be reduced through methods such as "converting covert subsidies to overt ones" and reducing subsidy processing costs, so that many subsidies can be gradually eliminated. The varieties and amounts of the most essential subsidies should all be gradually reduced to a minimum, with it being best to change from subsidizing operating departments to subsidizing producers. This is rational and necessary under the conditions of the coexistence of diversified economic components and diversified income channels.

8) It should rationalize direct state-controlled prices as quickly as possible. Direct state-controlled prices and those devolved to enterprise control are certainly not "totally unrelated," but rather they are subject to mutual infiltration and influence. This means that gradually adjusting direct state-controlled prices to a more rational level in order to help spur enterprises to set rational prices and convert and improve their price formation mechanisms is essentially the correct way to achieve an efficient accounting of the national economy. This rationalization of direct state-controlled prices should not occur arbitrarily through subjective pricing, but rather must observe the law of value and other objective economic laws. As to direct state-controlled prices of the few basic manufactured goods, we could consider gradually making their profit margins a rough combination of average fund-tax/profit rates and average wage-tax/profit rates. Those of the few agricultural staples could gradually be adjusted to a rational level that contributes to the balanced growth of agricultural production.

9) It should exercise trade coordination of deregulated prices. Practice has proved that exercising trade coordination and negotiation of certain prices that the state has deregulated but still appropriately guides is a good way of acknowledging independent enterprise pricing while exercising indirect state control. For instance, all of the

following are effective price restraint mechanisms: guiding hotel associations to set minimum price restrictions on hotel room prices where supply exceeds demand; holding regular trade meetings to negotiate neutral standard prices based on supply and demand of cement; having trades agree on allocation prices for joint industrial-commercial products; having regular negotiations on cooperative sales prices for certain staple commodities where retail competition is sharp; and setting agreed charge standards for repairing household appliances. The democratic negotiation and agreement on prices by enterprises with government price sector guidance can have a positive impact on the rational stability of market prices. The city of Guangzhou has already begun this practice with very good results.

10) It should conduct propaganda and education on economic and pricing policies. The government should use the news media to help enterprises promptly understand and conscientiously observe pertinent state laws and regulations. The media should "expose" acts that disrupt pricing order and market criteria in order to spur enterprises to be law-abiding and set prices legally. The pricing sector should thoroughly investigate the public mindset, and then conduct directed policy propaganda, in order to improve public acceptance of normal price fluctuations and maintain close ties between the party and the public.

11) It should exercise state economic oversight of enterprises. The state industrial-commercial management and administration, tax, and pricing sectors must oversee and investigate concerned enterprise operations according to law. The purpose of pricing inspection should be changed from investigation and punishment to control and service, with the formerly scattered inspections changed into systematic and focused ones. The focus of inspections should be changed from retail to wholesale markets; there should not only be investigations of violations of state pricing regulations, but also legal investigations and punishments of crimes such as price monopolization, the taking of exorbitant profits, cheating and seizing of markets, and securing things by force or trickery.

12) It should perform direct state administrative intervention as special conditions require, or intervene with particular individual commodities. In other words, while state administrative measures are not the major or normal measures, they cannot be completely abandoned. Once pricing is deregulated for most commodity prices, the state still needs to establish a regular system to monitor price projections of the few staple commodities that are of importance to the national economy and the people's livelihood (generally including several dozen to several hundred varieties). If an enterprise changes the prices of such commodities, the change should be reported for the record to the government pricing sector so that it can promptly control developments. The pricing sector should also thoroughly investigate market purchase prices. When there is clear inflation, or in

special times when certain commodities have been subject to unusual natural or man-made disasters that put their supply and demand severely out of balance, the state can adopt correspondingly direct administrative measures. This can involve setting maximum constrained prices or minimum protected prices for commercial procurement and marketing, or restricting price differentials and profit margins. The key is that intervention in pricing must be appropriate, rather than being out of line with realistic possibilities. Intervention should not last too long, and should be combined with state economic and legal measures so that they will complement each other to achieve twice the results with half the effort.

#### IV.

Once the government has devolved the pricing authority for most commodities to enterprises, China will gradually evolve a new pricing system in which price formation is mostly market regulated, pricing decisions come mainly through enterprise pricing, and price control is predominantly through indirect regulation and control. The government pricing sector will have to adapt to this new system, by becoming enterprise- and market-oriented, and by helping enterprises to use their pricing authority fully and well in order to achieve government deregulation with strict enterprise control, and to ensure that price leverage is better used in the service of enterprise efficiency, social benefits, and the development of our society's productive forces. This means that the government pricing sector should emphasize at least the following aids to enterprise pricing:

1. It should help enterprises enhance their price management consciousness by training pricing personnel. Enterprise leaders must pay attention to pricing, taking personal control of key prices instead of continuing old pricing methods after the government deregulates prices. Enterprises should become market-oriented, adjusting prices flexibly according to commodity cost, supply and demand, and competition. Since enterprises must be equipped with pricing staffs suited to their duties, the government pricing sector should help train pricing staffs, teaching basic price theory and actual pricing methods, and holding comprehensive training classes and special ones by trade and industry. The city of Taiyuan's experience in holding special price training classes and achieving good results in areas such as metallurgy, industrial chemicals, department stores, and textiles shows that pricing staffs can be familiarized with professional knowledge and taught pricing principles and methods so that the knowledge is applicable and achieves instant results. The Shanghai Municipality pricing sector has trained over 10,000 enterprise pricing personnel, and this has been widely welcomed by enterprises.

2. It should help enterprises improve their cost accounting by establishing pricing systems. Enterprise cost accounting must be improved by establishing the international accounting systems used in the same industries. These systems should provide timely, true, and accurate balance sheets and profit-loss computation tables in order to eliminate the defects of incomplete and inaccurate commodity costs. Industrial enterprises should establish firsthand accounting systems for cost data, imports, production, and marketing prices. When enterprises encounter cost increases or decreases, or if supply and demand changes, how should they adapt their prices? There need to be complete sets of regulations for matters, such as who is responsible for enterprise price changes, who will do the research, who will make the final appraisals and decisions, and how will they be promptly implemented? Commercial enterprises need to set up systems for things such as clearly-marked actual prices, price accounting, pricing adjustment procedures, pricing information feedback and transmission, and pricing inspection and evaluation within enterprises. In this way enterprise pricing can escape its blind state, and become flexible, orderly, and systematic.

3. It should provide services suited to enterprise needs that advise, notarize, and coordinate pricing. Under the new pricing system, the pricing sector's functions should be changed from a primarily control function to a function that combines management and service, with the emphasis on service. It should establish pricing service centers to thoroughly explore enterprises, grassroots levels, and markets, in order to investigate, understand, and help solve enterprise pricing problems. For instance, it can develop pricing advisory services to help enterprises understand price information and solve pricing difficulties and utilize its advantages of quick access to information and widespread contacts. It can do so by providing pricing evaluation services that will protect the legitimate interests of producers and consumers, and also by providing price notarization services. The implementation of administrative procedural laws places an increasing burden on price notarization services, with pricing sector notarization necessary for all pricing matters, such as auctioned commodities, stolen goods, and confiscated commodities. As we open up further and deepen our reforms, price notarization services will be needed for all matters, such as real estate and fixed assets pricing, capital construction project and property pricing, and bankruptcy settlement. Once prices are deregulated to enterprise pricing, there are likely to be regular conflicts of interests due to price relations among enterprises, industries, and regions. This means that the pricing sector will be duty-bound to coordinate and dovetail prices, and even carry out price arbitration, in order to harmonize price relations among enterprises, industries, and regions, take the interests of all parties into account, and ensure that price leverage has the impact of promoting the rapid and efficient growth of our national economy.

## PROVINCIAL

### Jiangxi Notice on Reducing Undue Fees on Enterprises

93C E01494 Nanchang JIANGXI RIBAO in Chinese  
6 Nov 92 p 1

["Urgent Notice Issued by the Jiangxi Provincial CPC Committee and Government on Further Checking the 'Three Undues' To Truly Lighten the Burden on the Masses and Enterprises—dated 4 November 1992"]

[Text] Resolutely checking undue fees, undue fines, and apportionment of undue fund-raising quotas (hereinafter referred to as "three undues") with a view to truly lightening the burden on the masses and enterprises is a very important and urgent matter that we must attend to at this time when we are implementing the guidelines of the 14th National Party Congress and further accelerating our pace of reform, opening-up, and economic construction. This matter deserves our great attention and should be dealt with in a serious and earnest attitude. The provincial party committee and government have made a decision that, from now on until the end of December, all localities and departments take strict measures to tackle the "three undues" and try to bring about some results during this period so that the unhealthy trend of "three undues" will be basically checked. To this end, the following notice is issued:

1. It is imperative to take the checking of the "three undues" as an important task concerning our overall interests. In recent years our province has adopted a series of measures to check the "three undues" in accordance with the guidelines contained in the relevant documents of the central authorities, and scored certain achievements in this regard. Yet the problem of arbitrarily increasing the burden on farmers, enterprises, and their employees so far has not been radically corrected. Now, on the one hand, some once-eliminated symptoms of "three undues" have reappeared; on the other hand, new "three undues" instances have come up and spread unchecked. All these have added to the burden on farmers, enterprises, and their employees. Examples: Some units of government departments have concocted one pretext or another to indiscriminately institute additional fees or increase without authorization the amounts of fees that have already been established. Some localities and departments have forced the grassroots units to subscribe to certain newspapers and periodicals or collected large sums of money from them in the name of training or learning fees. In developing construction projects or other undertakings, some localities and departments have arbitrarily drawn up fund-raising programs to collect money on an expanded scale without taking into account their financial capability and regardless of whether the grassroots units and masses can bear the burden. In carrying out urban construction programs and when examining and evaluating enterprises' performance, some localities and departments let the enterprises share the financial

burden for the construction programs or asked them to make contributions in support of the programs. In some localities, numerous kinds of fees are collected for child-care, school enrollment, marriage registration, family planning, medical and health care, weddings, funerals, and so forth. The ever-growing amounts of these fees are increasing the burden on the masses. What is more, some localities and departments have spent indiscriminately the money they obtained from the "three undues" and thus committed extravagance and waste. A few of them have even embezzled and privately divided the monies to line their own pockets. The "three undues" have already interfered seriously in our normal economic construction as well as our social environment for reform and opening up. They have helped the growth of corruption and unhealthy trends, impaired the images of the party and government, evoked complaints from the masses, and hindered the consolidation and development of our political stability and unity. We must see the importance and urgency of checking the "three undues" from the viewpoint of preserving the party's flesh-and-blood relationship with the people, safeguarding the party and government prestige, and creating an optimum social environment for our reform and opening to the outside world. We must make a resolve to tackle this problem successfully.

2. We must take a prohibition-first-and-guidance-later approach, and conduct screening and make corrections simultaneously. An act is considered to fall within the scope of the "three undues" and must be immediately discontinued and resolutely corrected if it violates the "Decision on Resolutely Checking Undue Fees, Fines, and Apportionment of Expenses" (Ref. No. Zhongfa-[1990]-16) adopted by the CPC Central Committee and the State Council, the "Provisional Regulations on Banning Imposition of Financial Burden on Enterprises" published by the State Council in April 1988, the "Circular on Making Real Efforts To Lighten Farmers' Burden" issued by the State Council in February 1990, or any related provisions enacted by the provincial authorities. Fees and fines collected and money obtained from compulsory fund-raising programs must be carefully screened. Any monies that has to be refunded must be resolutely refunded. It must be reiterated that only the central and provincial authorities have the power to examine and approve the institution of fees, fines, and fund-raising programs and decide on their amounts. Prefectures, cities, and departments have no such authority, and approvals given by them are invalid without exception.

3. Serious efforts should be devoted to self-examination, self-correction, and special screening. The self-examination period runs from the date this notice is issued through the end of November. Special screening starts from 1 December and ends on the last day of December. Governments at all levels should include the examination of fees, fines, apportionment of expenses, and fund-raising programs as an important task in this year's general tax, financial, and price inspection. They



should conduct comprehensive examinations and serious screening. In screening, it is necessary to first focus on key tasks and use the experience gained from these tasks to promote the entire work. The key tasks are to truly lighten the burden on the masses and enterprises and to screen and rectify education fees and the "three undues" instances that have emerged this year. All localities, departments, and units are urged to conduct serious self-examination and self-correction in accordance with the guidelines contained in the pertinent documents of the CPC Central Committee, the State Council, and the provincial party committee and government. Those failing to examine themselves after the promulgation of document No. Zhongfa-(1990)-16 should conduct a make-up examination. Where examination was perfunctory, a reexamination is necessary. Special attention should be given to examining those party and government organs and units that are likely to have the "three undues" problem. No unit or individual is allowed to delay the screening on any excuse. Units and individuals refusing to conduct self-examination and self-correction or resorting to deception should be subjected to thorough investigation and severe treatment. Following the self-examination and self-correction campaign, task forces should be organized by the provincial, prefectural, city, and county authorities and by the departments concerned to conduct special cross-examinations and screening of those departments and units about which the masses, enterprises, and institutions have serious complaints, which have a fairly great variety of the "three undues," and which have not examined themselves conscientiously. We must see to it that burdens on farmers, enterprises, and their employees are truly lightened through the above-mentioned screening and rectification.

4. Orders and prohibitions must be strictly enforced, and rules, once issued, must be followed to the letter. Government departments at all levels, including planning, economic, and education commissions as well as financial, commodity price, tax, audit, and agricultural departments, should view the elimination of the "three undues" as an important part of their work and carry it through to the end. Discipline-inspection organs, courts, procuratorates, and supervisory departments at all levels should seriously investigate and deal with any act that violates law and discipline. In doing this, however, it is necessary to draw a clear policy demarcation line. If an ordinary problem is exposed through the self-examination and self-correction campaign, the unit or individual concerned may be exempt from culpability. Even if the problem is of a rather serious nature, lenient treatment may still be given. But strict investigation and treatment are imperative where the problem exposed is disgusting and serious in nature, where the "three undues" practice has continued after document No. Zhongfa-(1990)-16 was promulgated, where the "three undues" practice did not stop but has become even more serious despite repeated prohibitions, and where party and government organs are involved in the "three undues" practice. When a case is subject to strict investigation and treatment, the illegal receipts should be refunded to the

units or individuals concerned as stipulated by the regulations, and any surplus left over should be turned over entirely to the government coffer. In addition, the discipline-inspection and supervisory organs or the competent authorities should, according to the circumstances, determine the liabilities of the leaders of the units concerned and the departments approving the "three undues," and take appropriate party disciplinary and administrative action against them. In no way should we allow the departments, units, and individuals with the "three undues" practice to get any benefit. Those who have privately divided and arbitrarily distributed money or other things, engaged in embezzlement, perverted the law, or struck at and retaliated against the informants should be dealt with seriously according to law. Meanwhile, propaganda departments and journalistic units at all levels are required to report promptly on achievements in checking the "three undues," publicize good experience and work methods, and focus on exposing major influential and typical cases as a way to promote the work of checking the "three undues."

5. It is necessary to strengthen leadership and do prudent work. The task of checking the "three undues" involves many areas and is closely related to the implementation of the policy. This task is also complicated and rather difficult to accomplish. Party committees and governments at all levels must strengthen their leadership over this task, make careful arrangements, exert real and solid efforts, and do away with interference so as to achieve success and win the people's trust. In particular, party committee and government leaders at all levels should attach great importance to this task. Principal leaders should attend to this task in person, while those in charge of this task should be responsible for concrete work. In addition, further efforts should be made to enhance people's awareness of checking the "three undues." We should see to it that they achieve consensus on the basis of the guidelines contained in the central document "Decision on Resolutely Checking Undue Fees, Fines, and Apportionment of Expenses." It is necessary to mobilize cadres and masses on an extensive scale to expose the "three undues" activities. Those who have done well in this respect should be protected and rewarded. All localities and departments should step up their efforts to draw up plans and make arrangements according to the demands of this notice and keep the provincial party committee and government informed of the progress of their work.

#### **Shaanxi EDZ's Improve Investment Opportunities**

##### **Diantou Development Policies**

93CE00944 Xian SHAANXI RIBAO in Chinese  
30 Sep 92 p 8

["Preferential Policies of Huangling County's Diantou Multipurpose Economic Development Zone"]

[Text] The following preferential policies were specially drawn up to further open up to the outside world. They



do so by encouraging and attracting foreign and domestic investors, enterprises, institutions, and individuals to invest in Diantou in order to speed up the development of the Diantou Economic Development Zone (EDZ).

### **I. Preferential Land-Use Policies**

All investors, enterprise operators, domestic and foreign investors in all development projects, and operators of the three kinds of foreign trade enterprises in the Diantou EDZ will be offered the land they need at preferential prices. Before the end of 1995 investors in the three kinds of foreign trade enterprises will be offered a further 5 percent reduction in the already preferential land prices. During the terms of their land use contracts, foreign investors' land use rights (including those to renovate and upgrade buildings and other facilities) can be transferred, leased, mortgaged, inherited, given away, or used for other economic operations permitted by law.

### **II. Preferential Tax Policies**

Investors in Diantou will enjoy the following preferential tax policies:

A. Investors in the three kinds of foreign trade enterprises within the EDZ will be exempt from income taxes, payment of power and transportation development funds, land use fees, and taxes on motor vehicle and boat license plates. Domestic investors will be exempt from these taxes and fees for 10 years.

B. Investors in the three kinds of foreign trade enterprises in the EDZ will be exempt from enterprise income taxes for 10 years, beginning in the month they earn their first sales income. This also includes the following preferences for investors in the three kinds of foreign trade enterprises and enterprises with domestic links that operate for more than 10 years: 1. Investors in production-type enterprises—other than coal mining—and foreign-invested banks will be exempt from all industrial and commercial taxes for three years, and will be exempt from 50 percent of them for four to eight years. 2. Foreign investors in service industries will be exempt from all industrial and commercial taxes for two years, beginning from the month they start operations, and then will be exempt from 50 percent of taxes in the fifth year. 3. Except for state-restricted products, export products of export enterprises run by foreign investors will be exempt from industrial and commercial taxes.

C. Foreign investors in high-tech enterprises will be exempt from all industrial and commercial taxes for five years, and then exempt from 50 percent of them through the 10th year. Enterprises with domestic links will be exempt from all product and value-added taxes for five years, and then exempt for 50 percent of them through the 10th year.

D. Investors in the three kinds of foreign trade enterprises in the EDZ that build infrastructure, such as

power plants and roads, will be exempt from all industrial and commercial taxes for three years, and then exempt from 50 percent of them through the 10th year. Such enterprises with domestic links will be exempt from all business taxes for three years, and then exempt from 50 percent of them through the 10th year. Investors in the three kinds of foreign trade enterprises that develop farming, forestry, or livestock raising will be exempt from all industrial and commercial taxes for three years, and then exempt from 50 percent of them through the 10th year. Such enterprises with domestic links will be exempt from all product and value-added taxes for three years, and then exempt from 50 percent of them through the eighth year.

E. When those who carry out industrial and other land tract developments in the EDZ according to overall plans make compensated land transfers, the three kinds of foreign trade enterprises will be exempt from industrial and commercial taxes, while enterprises with domestic links will have land-use and cultivated-land-takeover taxes returned.

F. Profits earned by foreign investors from foreign-funded enterprises, as well as interest on loans from international financial organizations and foreign banks used in the EDZ, will be exempt from income taxes. Funds invested in the EDZ by domestic financial organizations and economic industrial organizations that are part of EDZ banking organizations (including purchases of EDZ stocks and bonds) will be exempt from income taxes on interest earnings, and individual purchases of EDZ stocks and bonds will be exempt from individual income regulatory taxes.

G. Foreign investors in enterprises with domestic links who directly invest in the EDZ for more than five years and earned profits in the EDZ can have all of the reinvestment taxes that they have paid returned.

H. Imported production essentials within the investment quotas of the three kinds of foreign trade enterprises, such as machinery and equipment, raw materials, parts, the means of transportation, and other capital goods, will be exempt from industrial and commercial taxes. Imported raw materials, parts, and enterprise equipment needed by enterprises with domestic links to produce exports can be exempted from product and value-added taxes upon examination and approval. Exports of enterprises with domestic links will be exempt from product and value added taxes.

### **III. Preferential Policies for Imported Funds**

With regard to imported funds that are used for more than three years, beneficiaries will pay rewards according to the following percentages: 5-8 percent of the amount for imported, no-interest compensation funds; 3-5 percent of the amount for imported funds whose interest rates are lower than the bank interest rate; 1-3 percent of the amount for imported funds whose interest rates are

the same as the bank interest rate, 0.5-1 percent of the amount for imported funds whose interest rates are higher than the bank interest rate, and 5-0.5-3 percent rewards to intermediaries on intermediary foreign investments.

These will be lump-sum rewards based on import verification.

#### IV. Preferential Policies for Imported Projects

A. Intermediaries who import large and medium-size high-tech projects will be paid lump-sum intermediary fees by beneficiaries, equal to 1-3 percent of beneficiaries' three-year realized profits.

B. Intermediaries who introduce "three imports and one compensation" projects will be paid lump-sum intermediary fees by beneficiaries, equal to 3-5 percent of their net profits from their first year of operation.

#### V. Preferential Policies for Imported Talent

A. All specialized technicians who come to work in our EDZ will be paid 50 percent more than their former wages, basic specialized technicians who bring projects to our EDZ will be paid double their former wages, as well as personal rewards equal to 10-30 percent of the first three years' increased profits from projects that prove efficient. Specialized technicians who bring projects and funds to our EDZ to set up cooperative enterprises will be paid three times their former wages, as well as personal rewards equal to 20-40 percent of the first three years' increased profits, minus stock dividends, from projects that prove efficient.

B. Colleges and universities, scientific research institutes, and large and medium-size enterprises that engage in joint research and development with us on new products can collect cooperation rewards of 30 percent of produced efficiency. Those who sell us technology patents can, in addition to being paid technology transfer fees, also earn rewards equal to 10-30 percent of the benefits brought by the technology.

C. Workers who come to our EDZ to lead or run any kind of enterprise or engage in tasks such as technology development, operation, and sales, can collect rewards equal to 10-15 percent of increased profits. All extra profits from startups, contracts, and leasing will go to the individual. All income from individual technology development consulting and training will go to the individual.

All of these various intermediary fees, labor costs, rewards, and collections will be exempt from individual income regulation taxes.

#### VI. Preferential Policies on Production Operations

A. We guarantee enterprises legal operating independence. Enterprises have the right, within their approved

contract jurisdiction, to make production operation plans, raise and use funds, buy raw materials, and sell products all on their own.

B. Enterprises have the right, within national policy and legal jurisdictions, to set their internal structural, organizational, personnel staffing, and labor hiring systems, and to determine their own wage criteria, form, bonus, and subsidy systems.

C. Enterprises have the independence to develop, conduct legal transfers, go bankrupt, and determine their own technological upgrading.

#### Wugong County Offers Incentives

9JCE0094H Xian SHUAN RIHAO in Chinese  
10 Sep 92 p 4

[Article from page devoted to Wugong County development: "Preferential Policies for Imported Projects, Talent, and Funds"]

#### [Text] I. Imported Projects

A. As to imported projects with annual profits and taxes between 10-30 million yuan, the units or individuals that import them will be paid lump-sum rewards of 300,000 yuan once production results are achieved.

B. As to imported projects with annual profits and taxes between 5-10 million yuan, the units or individuals that import them will be paid lump-sum rewards of 150,000 yuan once production results are achieved.

C. Once production results are achieved, the units or individuals who import projects will be paid lump-sum rewards of 5 percent of annual profits for imported projects with annual profits and taxes between 1-5 million yuan, 6 percent of annual profits for those with annual profits and taxes less than 1 million yuan, 40,000 yuan for those with annual profits and taxes of 800,000 yuan, 30,000 yuan for those with annual profits and taxes of 500,000 yuan, and 7 percent of annual profits for those with annual profits and taxes of more than 200,000 yuan.

#### II. Imported Talent

A. This applies to operators of county-run industrial and commercial enterprises, township enterprises, and enterprises that have severe losses, are shut down, or that have cut backs and who have been imported through public bidding. Once operators who have won bids have signed venture guarantee contracts with responsible enterprise departments, they will be paid monthly wages of 300 yuan in enterprises with annual profits of less than 100,000 yuan, 600 yuan in enterprises with annual profits between 100,000-300,000 yuan, 800 yuan in enterprises with annual profits between 310,000-500,000 yuan, and 1,000 yuan in enterprises with annual profits of more than 510,000 yuan. Wages will be calculated on an annual basis, with other benefits remaining the same as those enjoyed by enterprise employees.

B. Once money-losing enterprises become profitable, their operators will be paid 20,000 yuan a year, as well as being given lump-sum rewards of 50,000 yuan for three years of realized profits over 300,000 yuan a year or 100,000 yuan for three years of realized profits over 1 million yuan a year, and rewards of three-room one-half apartments at their registered permanent residences based on individual preference.

### III. Imported Funds

A. Those who import or win funds that exceed planned levels and who receive no compensation will be paid rewards of 5 percent of the amounts imported. Those who import or win planned funds without compensation (funds that have been won and listed in plans) will be paid rewards of 3 percent of the amounts imported.

B. Importers of interest-free funds (including discount loans) will be paid rewards of 1.5 percent of amounts imported with service terms up to one year, and 2 percent of amounts imported with service terms of more than two years.

C. Importers of interest-bearing funds will be paid rewards of 1.5 percent less monthly interest on amounts imported with service terms of one year, and 1.8 percent less monthly interest on amounts imported with service terms of more than two years.

D. Those who win loans for enterprises beyond bank quotas will be paid rewards of 0.5 percent of the loans.

E. Those who import related equipment and parts for production projects will be paid rewards based on their value according to the above standards for fund imports without compensation for such imports without compensation, and according to the above standards for fund imports with compensation for such imports with compensation.

### IV. Provided Information

A. Providers of information on industrial projects that is screened and selected for testing in projects will be paid lump-sum rewards of 100 yuan, and providers of information which is tested and used in projects will be paid lump-sum rewards of 200 to 2,000 yuan by the relevant contracting units, with amounts based on project size and produced results.

B. Providers of circulation information that is used will be paid rewards of 1 percent of the gross profits realized by enterprises from such information.

### Weibin Development Policies

9. (1.0094C) Yuan SHUANXI RIRAO in Chinese  
"Ch 9, p 4

[“Resolutions on Encouraging and Supporting Individual and Private Economic Development in the Weibin Zone”]

[Text] 1. Organizations, and particularly leading cadres, at all levels need to act on the criteria of “making the three contributions” by genuinely correcting their views and attitudes toward our individual and private economies. They must take active steps to encourage and enthusiastically support the continued all-out development of our individual and private economies.

2. The Weibin Zone is a key part of Baotou’s urban industrial and trade development, having a superior business climate and exceptional advantages for developing a commodity economy. Encouraging and supporting individual and private economic development will be one of the particularly important economic development measures and tasks for a long time to come.

3. We are increasing our pace of market development by working hard to build up our wholesale industries. We are adhering to the principle of “investors bring the beneficiaries” by raising funds through many channels, in many forms, and at many levels in order to persist in market development. Except for taxes and industrial and commercial management expenses, investors are exempt from all other fees in the use of idle sites for warehouses or investment in the building of rural markets by industrial and commercial enterprises, administrative institutions, military units, schools, and rural village organizations. We have relaxed our examination and approval qualifications and raised our certification efficiency in order to develop wholesale industries and markets. We are encouraging individual operators to dare to operate on a large scale.

4. We are enhancing our market control to protect legal operations. The industrial and commercial administration sector will continue to improve its management quality and market service efficiency. Our market management will ensure control without stagnation and inspection without chaos. We are persisting in banning unlicensed peddlers and in cracking down on illegal activities, such as high-handed market takeovers and high-pressure sales tactics. We have put an end to arbitrary charges, apportionments, and fines.

5. We are persisting in taking special steps to invigorate key markets. The Jiangnan Road Market is a “market within a market.” Fees for any trade stalls in this market are less than 10 percent, while the staffing stall setup fees and management costs cannot go up but can only go down for the next three years.

6. We are opening our markets wide and streamlining our licensing procedures. Applicants who undergo the full procedures will be issued business licenses within 10 days by the industrial and commercial sector. All investors from other parts of China who come to Weibin to engage in individual operations need submit only personal identification cards and local township government certificates in order to register and be issued approved business licenses.

7. We are persisting in providing the necessary conditions. All new operators who enter our new markets will

pay less than 30 percent of their business turnover in taxes for the first year. Operators facing particular difficulties will be given prompt tax consideration.

8. We are providing good market security to support individual and private economic development. Our market security police stations and security guards are doing a good job of registering the transient population in order to promptly solve all security problems encountered by individual operators, particularly those from other parts of China. We are firmly cracking down on illegal acts, such as stealing, extortion, and blackmail, by resolutely stopping hoodlums and street ruffians from making trouble for individual industrial and commercial operators, in order to enhance their sense of security.

9. We are conscientiously dealing with the problems concerning the dependents of individual operators. Children of all individual operators with temporary residence registrations and business licenses can go to the nearest public schools, with tuition and miscellaneous fees the same as those for local cross-district students. Just as it is for students with permanent residency, there are no restrictions on grade promotions from elementary to junior high and high school. In addition to being sold to local urban residents, commercial housing will be sold at the same prices to individual industrial and commercial households who have temporary residence permits and do business in our zone, with real estate being transferrable, presentable, and inheritable.

10. We have set up a system of contacts by district-level party and government leaders and officials of the pertinent functional departments with individual operators.

### Developments in Weinan Commercial Area

*92c F00940 Weinan SHANXI RIBAO in Chinese  
26 Sep 92 p 4*

[Article by Xu Mengchun (1776 1125 2504), director of the Weinan EDZ Management Committee. "The Trees Have Already Developed Into a Forest That Is Just Waiting for the Birds To Come and Roost"]

[Text] In 1988 the Shaanxi People's government approved the Weinan EDZ as Shaanxi's first local SEZ. Through three years or so of difficult pioneering, its urban infrastructures and service facilities, such as roads, sewers, water and power supplies, telecommunications, hospitals, schools, stores, hotels, and apartment buildings, are basically ready. Ground has been broken and construction begun on key state projects worth a total investment of 2.1 billion yuan. Projects such as the Weihe Chemical Fertilizer Plant and towering apartment buildings are springing up in the residential district. A number of small and medium-size projects are also being set up, including certain "three kinds of foreign trade" enterprises that are about to be built. The EDZ's internal service and management mechanisms are being steadily built up and improved, with normal operations, streamlined administration, high efficiency, and a fine investment, operating, and living climate

having already developed. It could be said that the trees have already grown into a forest that is just waiting for the birds to come and roost.

To meet the needs of all types of operators, and to provide them with a convenient operating site, the Weinan EDZ Real Estate Development Corp and the Weinan Operations Office of the Shaanxi branch of the Industrial and Commercial Bank of China's Real Estate Development Corporation decided in June 1992 to jointly finance, develop, and build the "Wanguo (Ten Thousand Countries) Business City." With approval from Weinan's local administrative office, they have set up the Wanguo Business City Development Command Post. "Wanguo Business City" will be a multifunctional commercial and trade area blending commerce and trade, food and drink, housing, culture, tourism and entertainment. This grand project has been highly touted by Comrade Wang Feng [3076 6912], an older generation revolutionary and a former CPPCC vice chairman, who auspiciously named it the "Wanguo Business City" in hopes that it will be developed and run well, be oriented toward all of Shaanxi, and will radiate out toward all of China and even the whole world, benefiting future generations. The experts' demonstration and projections are that "Wanguo Business City" has bright prospects. Once it is built, it will not only make the already flourishing Weinan EDZ even more prosperous, but it will also be bound to play a great promotional role in stimulating Weinan's commerce, trade, and tourism.

The special mission and preferential policies granted to the EDZ by the provincial government, as well as the preferential policies for the "Wanguo Business City," provide that all types of domestic and foreign operations, such as state-owned, collective, individual, and joint-venture enterprises and industrial and commercial alliances, that wish to come here to set up factories, stores, or businesses will all enjoy preferential treatment and top-grade service. This is precisely why an endless stream of investors from both Shaanxi and beyond have been coming recently to the "Wanguo Business City" to make advance housing purchases. Housing presales have now reached 10,000 square meters, worth a total of 10 million yuan.

The EDZ has bright development prospects. During the Eighth and Ninth Five-Year Plans, the state has planned a number of key development projects here, with an overall investment of more than 7 billion yuan. These key projects will draw "three kinds of foreign trade" enterprises and high-tech projects. Within a decade the Weinan EDZ will become a new industrial and S&T city with a population of over 200,000 and a gross value of industrial output worth 5 billion yuan.

We are determined to be guided by the spirit of Comrade Deng Xiaoping's important speeches on his southern tour this spring. That is, while adhering to the party's basic line of "one center, two basic points," we will experiment boldly, make sharp progress, develop and advance, and increase our pace of development in order



to contribute to China's reform and opening up and our further economic prosperity.

We are sincerely welcoming all farsighted industrial and commercial colleagues, business friends, and aspiring operators from both inside and outside of Shaanxi and China to invest in the EDZ, give full play to their talents in the "Wanguo Business City," and join hands with us in pioneering a bright tomorrow for the Weinan EDZ.

#### Preferential Policies

Article 1 For the convenience of all investors in operations in the Wanguo Business City, we have set up a business city office to handle industrial and commercial matters such as taxes, labor, food, public security, and business.

Article 2 For three years from the day they earn their first income, registered operators of state-owned commercial enterprises in the Wanguo Business City will have the income taxes they paid returned to them by the Business City Office, along with one-half of paid business and value-added taxes; the money is to be used for repaying loans, making up working capital shortages, and expanding commercial networks. Operators of collective and individual commercial enterprises will be given back 40 percent of paid business and value-added taxes totalling between 3,000 to 5,000 yuan, and 50 percent of those over 5,000 yuan.

Article 3 Registered operators of all types of commercial enterprises in the Wanguo Business City will be exempt from real estate and vehicle- and boat-use taxes for three years from start of operation. Purchasers and developers of commercial networks with investments of less than 50,000 yuan will be exempt from investment orientation regulatory taxes, and those with investments over 50,000 yuan will pay only 50 percent of taxes.

Article 4 Registered commercial enterprises of all types in the EDZ will pay only one-half of the industrial and commercial license registration fees. Private enterprises and individual industrial and commercial operations will pay only one-half of industrial and commercial administrative fees for three years from the start of operations.

Article 5 All enterprises in the Wanguo Business City will enjoy full operating independence. They can use flexible and diversified operating methods, set their own hiring and wage distribution systems, and be solely responsible for their own profits and losses.

Article 6 Individuals who purchase housing worth more than 100,000 yuan will be allowed to settle in the EDZ with no change in their residence registration. Those who purchase housing worth more than 200,000 yuan can have their residency transferred from agricultural to nonagricultural residence registration.

Article 7 After one year of operation, operators of commercial enterprises can make migration arrangements in accordance with the pertinent provisions of the Wanguo Business City. Settlers' children will be treated the same as other EDZ children with regard to schooling, military service, and job recruitment.

Article 8 All who raise development funds for the Wanguo Business City for terms of more than one year will be paid use fees that are 3 points higher than bank interest rates for individual deposits for the same term.

Article 9 Operators who buy or put up buildings in the Wanguo Business City will have ownership rights that are legally protected. Such buildings can be inherited, transferred, rented, given away, divided, or mortgaged.

Article 10 The EDZ Management Committee has authorized the Wanguo Business City Office to interpret these provisions, which go into effect on the day that they are published.

## FOREIGN TRADE, INVESTMENT

### Countermeasures Against EC Antidumping Policy

94CE01214 *Bringing JINXI RIBAO in Chinese*  
11/01/92 p.4

[Article by own Brussels correspondents] : Haoran (762) 3189 3601 and Wei Lun (7614 7787). "How Are Chinese Enterprises To Counteract the Antidumping Policy of the European Communities (EC)?"

[Text] As the buildup of its large common market is rapidly taking shape within the EC, as the EC is also increasingly practicing trade protectionism against outsiders, and as it has selfishly raised antidumping to a kind of law, to serve as an effective tool against import pressures from outside, it is particularly the developing countries that come to suffer from these measures. According to statistics published by the EC, 169 antidumping cases have been investigated during the period from 1987 to 1991, and among these Chinese products have ranked second, and are also tending to increase. Moreover, as the anticipated time for the establishment of the EC's large common market, 1 January 1993, is drawing closer, the EC is in the process of intensifying its protectionist measures for the benefit of this market. On 17 July of this year, the European Commission [the executive body of the EC] came up with a new antidumping rule: it changed the article, which in the past required decisions in antidumping cases to be made by the European Council, to the new rule that these cases may be decided by only the European Commission. Because of the differences of interests among the EC member states, a decision by the European Commission in an antidumping investigation to impose a temporary antidumping surtax could originally be vetoed by two large countries and one small country, but this possibility has now been abolished. This is in effect a further hardening of the very hard stand of the

European Commission in matters of antidumping, and is a portent of an increasingly grim situation for Chinese exports to Europe.

Among the Chinese products hit by antidumping actions of the EC, there are not only chemical raw materials and manufactured goods, but also products of many Sino-foreign joint ventures. In the last 10 years, about 5 percent of China's total exports to the EC have been subjected to antidumping action by the EC, which is more rigorous than antidumping action by any other industrial country against China. As a consequence, many medium- and small-scale Chinese enterprises that had just managed to penetrate the European market and had not yet attained a stable foothold in that market, have fallen into dire straits, and some very powerful import-export corporations sadly lost the market for their leading products. Although increasingly more Chinese enterprises have come to Brussels to respond to the accusations, and there have also been quite a few who have won their cases, the large majority of relevant enterprises that have suffered EC's antidumping actions have shown no intention at all to respond to the accusations. The reason may possibly have been that they had not been able to obtain proper information beforehand, and subsequently, in a topsy-turvy way, been made the object of antidumping action, or that they had not been able to promptly respond to the accusations because they lacked the ability or financial means to do so, or because they had attempted to earn a "fast buck" for themselves without considering the consequences for their country in the European market, thus allowing the EC to have its way with its antidumping, protectionist trade policy.

How is it possible then to counteract the EC's antidumping policy? With this question in mind, we visited the law offices of Lateih [phonetic] and Ketaimuhulap [phonetic] in Brussels, a law firm frequently handling antidumping cases for various countries, to obtain their opinion.

Louise Ma, a lawyer who, just a few months ago, had been entrusted by the Chinese side to handle the response to the antidumping action of the EC in the case of Shande-brand bicycles, told us. With the intensification of global trade and the progress in GATT negotiations, antidumping has become a means of practicing trade protectionism, a means which is now increasingly employed by the developed countries because it is of a noncustoms nature. Although China's position is now more advantageous than before because of its continuous reforms and opening up to the outside world and its imminent resumption to the status as a member country of GATT, it will be unable to evade antidumping accusations. Lawyer Ma believes that the following obstacles prevent China from effectively opposing the antidumping measures of the EC.

#### 1. Lack of Effective Channels of Information

The few enterprises who come to Brussels to respond to antidumping measures receive information on antidumping action only in very diverse ways. Sometimes the

information is received from import merchants, sometimes from the foreign party of a joint venture, sometimes from the chamber of commerce, and more often from export enterprises, in particular, the medium- and small-scale enterprises of the interior have no way of obtaining relevant information. Lawyer Louise Ma most regretfully stated that when their law office has information on antidumping action against a certain Chinese commodity, they do not know to what point this information should be transmitted in China. In many cases, when the relevant documents were sent to Chinese diplomatic representatives in Belgium, no reply was ever received. Some enterprises that get the information and would like to respond do not know the proper methods or who to ask for help.

#### 2. Lack of Specialized Competent Personnel

The antidumping process of the EC, from filing the complaint and initial investigation, to the official imposition of the antidumping surtax, is a very complex legal process. There is a time limit for each step, and once a party allows the date to pass, it is taken as relinquishing its rights. Completion of the investigative questionnaires alone, as required by the EC, is an extremely specialized task. In addition, Chinese enterprises are so completely different from Western companies, including everything from organizational systems to cost accounting, that without the help of a lawyer well-versed in the EC's antidumping legislation, the enterprises will be unable even to complete these forms, not to mention such things as contending the selection of the analogous countries and computation of dumping prices throughout the entire legal procedure, evaluating the advantages or disadvantages of promising certain prices, and being penalized by antidumping measures. All these matters are even more difficult than completing the investigative forms. Many enterprises lack qualified, competent personnel and therefore do not consider themselves capable of prevailing, therefore, they do not have the courage to respond to the accusations.

#### 3. China's Lack of Serious Organization To Counteract EC's Antidumping Measures

Louise Ma said that Chinese have always been able organizers, and they should also start to organize their countermeasures against antidumping actions, in every direction, in every sector, and each attending to his own duties, and they should first of all open up channels of communication. There should be one agency for the whole country, specially charged with handling antidumping cases. It should, in good time, have a complete understanding of and be well familiar with the situation, and must, furthermore, transmit relevant information rapidly to the various associations of export firms concerned. It should also be charged with introducing and recommending to enterprises Chinese and foreign lawyers who specialize in these cases. China's commercial agents stationed abroad must be charged with gathering information on the antidumping policy of the country of their location and to transmit this information back to China. Either through its special channels or through its

publications, each trade association must, as quickly as possible, inform the export trade enterprise that is to be penalized for dumping. Each enterprise accused of dumping, whether large or small, must come forward and respond to the accusation. The mere presence to dispute the accusation and an on-the-spot explanation of circumstances provides at least the possibility of having the antidumping surtax reduced. She said, that according to the cases handled by her, it is not always that China engages in dumping at unduly low prices, but that labor costs in China are low, a fact which is at the bottom of these cases. For some high-grade consumer goods the domestic market is smaller than the international market, and the domestic prices will therefore naturally be higher than their market prices abroad. At times, the analogous country picked by the EC is highly unsuitable, and vigorous contention according to law can win the case. However, if an enterprise abstains from taking action and does not come forward to respond to the accusation, EC will pass a default judgement and will double the duty.

#### 4. Incompetence of Those Who Come Forward to Dispute the Accusation

Louise Ma said to dispute the accusation means fighting a lawsuit, and this requires people who know the law, in particular, specialists on the EC's antidumping laws as well as people who understand the overall condition of the enterprises. China has indeed dispatched quite a few people to study the EC and advanced studies of EC laws, and some of these people have already returned to China on completion of their studies. Their special proficiency should be utilized by training others and assisting with necessary legal work. She also said her law offices would also welcome Chinese lawyers to join them for training.

It is, therefore, not impossible for China to send experts to respond to complaints. There should not be too many, and their trips must not be mere tourism. With the money that could be saved by successful defense, it would be possible to engage Brussels lawyers who are familiar with the situation in question. There are many excellent lawyers in Brussels, and many famous international lawyers have offices in Brussels. They are not only well versed in antidumping laws, but have also abundant expertise in such cases. This can a great advantage in pursuing appeals against accusations of dumping. Half-jokingly, Louise Ma quoted common saying in China: "Best steel is used for the cutting edge of the sword." Spending some money on hiring a Brussels lawyer for the defense against antidumping measures is a better value than sending someone on a tourist trip abroad and losing the case. That is somehow like using best steel on the cutting edge of a sword.

With great confidence, Lawyer Louise Ma said, if there is only a joint effort, China will definitely be able to effectively counteract the antidumping policy of the EC.

## LABOR

### Changing Position of Workers on Course of Reform

92CE0046A Hong Kong CHING PAO [THE MIRROR] in Chinese No 8, 5 Aug 92 pp 04-06

[Article by Chang Wei-kuo (1728 0251 0948), former reporter of SHUJIE JINGJI DAOBAO [WORLD ECONOMIC HERALD]: "Losing Chains, Gaining Freedom—New Position of Mainland Worker Class on Reform and Opening Up to Outside World"]

[Text] When other people put a laurel, whose beauty is seductive, on your head, it is only an external thing and even a spurious decoration, one can be counted a master only by awakening through a personal experience and having a true choice for freedom.

In China's future commodity market economy workers, with the main part of their consciousness awakened, will lose only their chains, what they will gain is their most precious freedom!

### Fall in Position of "Bring Master of One's Own Affairs"

Article 1 of China's constitution specifies: "The People's Republic of China is a socialist country led by the worker class, and it is a people's democratic dictatorship with the worker-party alliance as its foundation." Since they began to wield political power on the mainland in 1949, the Chinese Communists have used their mouthpieces to inculcate the view that "the workers have stood up and become masters of their own affairs." This view continued straight on into the "Cultural Revolution," when Mao Zedong carried it to extremes, saying "The worker class must lead everything." Then, in reform and opening up to the outside world, after the cultural revolution was refuted, Deng Xiaoping proposed science as the number one productive force. Although intellectuals were extricated from the position of being in the "stinking ninth category," authorities did not dare recognize their independence and had to make them "part of the worker class" that engaged in physical labor.

It goes without saying that the worker class was never the true leader. How could people like Wang Hongwen [1769 3163 2429], Wu Guixian [0702 2710 6343], and even Mao himself, count as members of the worker class? The statement "the worker class must lead everything" was, at best, nothing more than a deceptive trick played by Mao. Following the constant push for reform and opening up to the outside world, people discovered that "the eldest (worker of a state-run enterprise) is not as good as the second eldest (worker of collective or township enterprise), the second eldest is not as good as the third eldest (worker of the three types of enterprises that are either partially or wholly foreign-owned), and the third eldest is not as good as the fourth eldest (head of a privately run or individual household enterprise)." The illusory position of "the worker class being master of its

own affairs" has constantly fallen. Many people, publicly or privately, ask if the worker is the "master" of this country.

Several issues ago the mainland monthly SHIDAI (ERA), published by the Workers' Publishing House, carried some investigations that were very much to the point. In 1988 the All-China Federation of Trade Unions (ACFTU) conducted a survey of 210,000 staff. 36.6 percent thought they were "not the masters of the enterprises," 51.5 percent thought that their "position as masters of the enterprises was not high," and only 11.9 percent thought that they "embodied the position of masters." In 1990 the Shanghai branch of the Chinese People's Political Consultative Conference (CPPCC) conducted a survey of the "master position" in 31 enterprises throughout the municipality. 2.82 percent of the staff thought they "fully embodied" this position, 29.06 percent thought they "generally embodied" it, 25.04 percent thought they "did not embody" it, 35.99 percent thought they were "only a labor force," and 6.27 percent replied that they were "not clear" about the matter. Also in 1990 the Wuhan City CPC Committee and the city's ACFTU surveyed 1,091 subjects. In reply to the question, "What position do staff have in the current enterprise reform?", 12.5 percent replied they have "the main part position," 18.8 percent replied they have "a participatory position," and 68.7 percent replied they have "a passive or nonessential position." The results showed that the great majority of staff thought they were "only a lab or force—almost like hired laborers."

#### What Are Worker Ranks Concerned About?

In an article entitled "Conscientiously Guarantee the Master Position of the Worker Class," a writer who signs his articles Gan Guang (7559 0342) pointed out that, before the main-part position of staff was established in the reform of the economic system, many thought that they were masters of the means of production owned by the whole people. In theory this was correct; in reality it could neither be seen nor felt. Some workers said that they—the masters—"hold the key to the chains of our slave bracelet and are not the masters of our own affairs." Workers thought that "in the past we were hired by the capitalist, today we are hired by an employee of the socialist state, and we cannot feel any difference between the two."

With regard to the topic of "the current state of consciousness of staff in state-run enterprises," in issue 62 of SHIDAI there was a "Survey by the Central Relevant Department of the Staff in Some State-Run Enterprises." The survey showed that in ordinary times 80 percent of staff were concerned about affairs of state, current affairs, and politics, and that 56 percent thought there had been a rise in their concern about political issues. With regard to domestic political issues, what enterprise staff are most interested in at present is the development of the productive forces to move the economy forward. What they are next most interested in is punishment of corruption and a change in party style and social atmosphere. They give a low score to the

degree of improvement in the worker class's position as masters since the Fourth Plenary Session of the 14th CPC Central Committee. More than half of them thought that this position had not risen, and some even thought it had fallen. A total of 81 percent of the staff hoped that their children would not be workers. The workers "have developed a 'self-denial' consciousness, under pressure of social opinion and policy guidance, they no longer consider being an industrial worker an honor. On the contrary, they hope to extricate themselves from these ranks as soon as possible." The survey analysis admitted that "a considerable number of the staff gave a low evaluation to the practice of socialism in China over the past 40 or so years, thinking that 'the successes were big, and the errors were also fairly big. This view adversely affects enterprise staff's faith in socialism.'" "With regard to their insufficient confidence in any fair, rational distribution, and their pinning their hopes for increasing their income on enterprises that are not run by the state, there has appeared a definite centrifugal tendency. . . . The idea that 'doing more is not as good as doing less, doing less is not as good as doing nothing' has spread. In the entire ranks a lax, loose state of affairs has appeared." "A considerable number of the staff indicated their yearning for and idea of settling down in foreign countries. This shows that, among the staff in large and medium-sized enterprises, patriotism has already taken a fairly big hit."

#### Staff-Worker Congress Becomes Mere Formality

According to Marx's viewpoint, society exists in a determinate social consciousness, and enterprise staff feel that their position is falling. This is because a change has really occurred in society, and also because there is a trend where this change will become ever deeper. The results of a survey conducted in 1990 by Wuhan City's joint fact-finding team showed that the proportion of workers in the National People's Congress (NPC) and CPPCC was low and that a falling momentum had been formed. Worker representatives accounted for 25.97 percent of Wuhan City's sixth NPC, in the seventh NPC this number fell to 14.29 percent, and to 6.83 percent in the eighth NPC. According to the survey, which included 1,091 questionnaires, 41.3 percent of staff thought that "their role in participating in and discussing government and political affairs was insufficient," and 22 percent thought that "there were few workers in the NPC and the CPPCC, and their voice was weak." According to a survey of 10,773 subjects conducted by the Shanghai Municipal ACFTU in 1990, only 8.38 percent thought that the staff congress, in embodying democratic management in the enterprise, "reflected the will of the staff and represented their authority fairly well," 27.98 percent thought that it did so "in general," 12.16 percent thought that "sometimes it did and sometimes it didn't," 43.31 percent thought that "it did so only in form," and 7.07 percent replied that they were "not clear about it." When added together, the latter two categories total



30-38 percent. Some people compare the staff congress to a "persian cat"—it is "good-looking but doesn't catch rats." In fact, nearly half of the staff congresses have been mere formalities.

After workers' positions changed, there was also a change in their appeals. In particular, with the passage of time, older workers who possessed "a sense of standing up" have gradually left the enterprises. Now, young people between 18 and 35 clearly make up more than half of industrial workers, and they have become the main part of industrial workers. According to two nationwide surveys of young workers, conducted from 1986 to 1990 by the Sociology Institute of the Chinese Academy of Social Sciences, when asked about their outlook on life, 43.2 percent agreed that they "worked to earn money." Also, according to a joint survey conducted in 1990 by the Worker Movement Institute, the Shanghai Municipal ACFTU and the Shanghai Worker Movement Institute, in which nearly 10,000 young workers were questioned, 46.41 percent thought that the main objective of their work was "only to earn a living," for "setting up a small well-to-do family," and for "making as much money as possible."

#### **Changes in Workers' Consciousness After Reform and Opening Up to Outside World**

It is quite obvious that the changes in the workers' positions and in their appeals are determined from the desire of the designers and leaders of reform and opening up to the outside world. The "CPC Central Committee Decision on Reform of the Economic System" pointed out that "In the reform of the urban economic system, we must correctly resolve the relationship between the staff and the enterprise, truly making the staff the masters of their own affairs, and truly making every worker work at his post in the position of a master, with everyone concerned about his enterprise's economy, everyone taking seriously his enterprise's returns, and everyone's work results closely linked to his social sense of honor and his material interests."

Not long afterward, the spring tide of reform and opening up to the outside world poured over the divine land, and crees far doing away with the "iron rice bowl" rose higher with each passing day. In line with the operating mechanisms of a commodity economy, 20 percent (also said to be a third) of the mainland industrial workers made unemployment the status of a "well-to-do man." In this regard Zhu Rongji, a major reform faction leader, said: "The enterprises are overstaffed. I think they can cut half of their people and raise their efficiency by 50 percent. The Anshan Iron and Steel Complex has 220,000 people and the Baoshan Iron and Steel Complex has 40,000 people. Their returns are the same, but there is a difference of several fold in the number of people employed. How terrible this is. Recently an official in the coal bureau said that at least 1 million workers could be cut from the 3 million in the coal mines. The social system established in 1949 by the Chinese communists and prevailing since then, the core

of which is control of the people, will face its most powerful challenge. To plan for social stability and to adopt measures for social security and relief by objectively loosening the control of people's freedom and while promoting the all-personnel competitive system, the people will start to be able to choose their own obligations. Under the pressure of objective reality, some local governments had to be given the legal position of a "number two obligation." For example, the "Notice on Several Policies Concerning Enhancement of Individual and Private Economic Development" stipulates that duty personnel of enterprise or administrative units can in their spare time engage in economic activities that provide convenient services for people. Such services would include food and drink services, repairs, and daily-use articles; the industry and commerce administrative bureau will issue temporary permits for these activities. In a commodity economy, the on-the-job worker who is gradually awakening is not content to be a "screw" in the traditional system. Some "able persons" who are willing to take risks have abandoned their occupations in favor of others, either going to work in individual household, three kinds of enterprises that are either partially or wholly foreign-owned, or foreign production units. In any case, they run to places where there is an opportunity for development. Water seeks the lowest level; people go to the highest level! Workers remaining in the enterprises are now stirring up a stock craze and are not reconciled to being left out of the action. A dozen people or so raise money, set up a common fund, and then send their representative to plunge into the stock craze.

#### **How Workers Will Become Masters of Their Own Affairs**

When other people put a laurel on your head, even though it is pretty and seductive, it is only an external thing, and even only an illusory decoration. Only by awakening the main part of one's consciousness and having the true freedom to choose can one be the master. Only a person who makes himself the master can become the master of society. For one to become the master of society one must go through a legal process. For example, to increase the proportion of workers in the NPC and the CPPCC, we must not only look at the individual's political stand—his attitude toward the ruling party—and his contributions to society. The fundamental thing is to increase the proportion by elections. Any right that goes through "appeals" or that is a favor granted by authority is not a true right. Taking a class and differentiating it and sealing it off as the "leading" or "ruling class"—this in itself is a manifestation of the theory of class struggle. For the moment I will not mention that its legality will not stand the test of history. Those world-shaking shouts about the "leading" and "ruling" party were only shams, only a "cloth to cover the shame" of Mao Zedong's exercise of autocratic dictatorship. In a society that is beginning to be democratic and free and that fully embodies human rights, people are equal, each interest group, stratum, and class has an equal right to

make a free choice. After a choice is made, for various reasons the results will be unequal, and there will also be a need for social control mechanisms. In line with the spirit of the principle of justice, this will cause them to coordinate with each other, and a higher level of equality will be attained. Therefore, I think that the designs and conclusions of the abovementioned surveys fell into the quagmire of the traditional old system, from which they could not extricate themselves; they did not even face reality. Needless to say, they must face the fundamental issue of the legality of the source from which the worker class derives the right to be the leading class of society. On the strength of the conclusions of these surveys, we cannot change the following reality: in the commodity market of the future, the workers—whose main consciousness has been awakened—will lose only their chains. What they will gain is their most precious freedom!

## PUBLICATIONS

### Major Finance Paper To Produce Securities Edition

93P100144

[Editorial Report] To devote more coverage to China's growing security markets, Beijing's major finance paper, JINRONG SHIBAO, will expand publication from six days to seven days a week beginning in 1993. According to an announcement in the 24 September 1992 JINRONG SHIBAO in Chinese, beginning in 1993, the newspaper will publish a Sunday edition subtitled SECURITIES NEWS. To provide readers with a preview, a sample edition was published on 28 September to help educate the public with information on securities markets. The front page of the 28 September SECURITIES NEWS trial issue carried an oversized picture of Deng Xiaoping shaking hands with John Phelan Jr., chairman of the New York Stock Exchange, during his November 1986 visit to China. The accompanying headline read: "China Shakes Hands With Stock Markets." It also ran an article by Guo Zhenqian, vice president of the People's Bank of China, discussing the establishment of unified securities markets, several short reports on the Shanghai and Shenzhen stock markets, an article reporting on the recent turbulence in European markets, and an article reporting on the three major securities companies that opened on 27 September, Nanfang in Shenzhen, Huaxia in Beijing, and Guotai in Shanghai. The chairmen of the three companies' boards of directors indicated that it is important to establish a few large companies and branch out nationwide as a first step toward developing more stable and unified securities markets.

The second page carries three commentaries on economic trends, financial control over securities markets, and weekly commentary on Shanghai's stock market fluctuations. It also reports information on bond markets and individual securities companies.

The third page publishes individual stocks' weekly prices and exchange indexes in Shanghai and Shenzhen. Charts include the highest and lowest prices, gains and losses in percents, and amounts of exchange. Other charts list bond prices in Shenyang, Beijing, Wuhan, and Shanghai, weekly foreign exchange rates in major cities, and the weekly stock exchange indexes in New York, London, Tokyo, and Hong Kong.

Page four carries a column titled "Talks on Securities Market Standardization" in which several scholars express their views. Professor Li Yining says that only stocks that meet certain standards can be put on the market. Enforcing "quotas" allows substandard stocks to be placed on the market, hampering its normal development. Li points out that "quota economy" is a kind of "mandatory economy" that leads to "favoritism" and hinders the normal operation of stock markets. NPC Law Committee Vice Chairman Jiang Ping indicates that it is imperative for the state to draft rules and regulations governing limited companies and stock exchanges. He argues that the new laws should be based on experience and that China should draw on the more extensive experience of western countries in formulating its own laws. Hong Kong United Exchange Chairman Lee Ye-kuang says that it is to be expected that stock markets will attract many speculators at first. People will get hurt and realize the risk; it is a learning process. For smoother future development, China should quickly formulate company and securities laws, establish an effective supervision and control system, and develop qualified personnel, including accountants and lawyers.

## AGRICULTURE

### Ministry on Goals for Socialized Services

93CE0137A Beijing ZHONGGUO NONGJIHUA BAO in Chinese 31 Oct 92 p 1

[Report by Chen Jingxing: "Ministry of Agriculture Puts Forward General Goals in Building System for Agricultural Services"]

[Text] For the next few years, China's general goal in developing a socialized services system for agriculture is to strive to develop a socialized service system for agriculture that is suited to the rural socialist market economy, fully plays the role of revitalizing agriculture, and provides high-quality and highly efficient socialized services for agriculture and the rural economy. This was put forward at the national meeting held in Nanchang between 5 and 8 October sponsored by the Ministry of Agriculture to exchange experiences in developing a service system for agriculture.

In his speech, Deputy Minister of Agriculture Chen Yaobang pointed out: From now on, the basic requirement in developing the service system for agriculture is to set up a multi-level, multi-form and multi-function service network, perform the function to serve the rural

community with comprehensive and coordinated measures before, during and after the farming season, and develop an operational mechanism by integrating state support with self-accumulated funds. Following the guideline of providing active support, promoting steady development and attaining gradual improvement, we must work hard to lay a good foundation within one or two years, go onto the right track within three or four years, and achieve remarkable success in five years.

To meet the aforementioned requirements, it was agreed at the meeting that we must carry out the following three tasks:

1. We must further strengthen our organizations and ranks, and bring into full play the leading role of the economic and technical departments for agriculture in developing the socialized agricultural service system. The authorities at the county level must energetically build all types of service centers for agriculture, help various trades coordinate with one another, and improve services. On the basis of production requirements, the authorities at the township level must set up specialized departments for the spread of agrotechnology, determine the nature, the authorized size and the number of staff members for the "five stations" (stations for farm machinery, agrotechnology, veterinarian service, aquatic production and management) in various township, determine the number of vacancies, and fill all such vacancies within a period of two to three years.

2. We must continuously expand the service areas, and improve services in an overall manner. Services must be provided not only during the farming season but also before and after this season. Services must be extended from a single project to multiple projects. Instead of affecting one particular trade, they may involve many trades, branches of learning and departments, and they should be provided in a comprehensive and coordinated manner. In rendering services for the propagation of technology, we must combine administrative, economic and legal means with emphasis on economic means to serve the rural community instead of relying on administrative measures only.

3. We must energetically develop economic entities, and further enhance the actual strength in providing services. This is something important in building, developing and expanding the socialized service system for agriculture. We must uphold the principle of "developing economic entities with our focus on the task of providing services, and running economic entities well to help serve the community"; suit our measures with local conditions, and act according to our capabilities. We must make full use of our favorable conditions, expand our operation, strengthen our management and improve our efficiency.

4. We must open up more fund-raising channels, and overcome difficulties caused by insufficient fund. With regard to investments in economic entities for agriculture, we must gradually build a diversified investment

structure with funds provided by the state, the collective, enterprises, individuals and units.

### Heilongjiang Rural Income, Living Standards Rise

93C E0147H Harbin HEILONGJIANG JINGJI BAO in Chinese 15 Oct 92 p 2

[Article by Wang Yan: "Rural Income, Living Standards Both Rising in Heilongjiang"]

[Text] Since the overall implementation of the contract responsibility system for agricultural production with remuneration linked to output 10 years ago, both rural income and living standards in Heilongjiang Province have improved, laying a good foundation for achieving common prosperity and helping peasants become well-to-do in Heilongjiang's rural areas.

1. Per capita net income has been rising rapidly. Following the in-depth development of the rural economic structural reform, the broad masses of peasants have left the self-supporting market, and entered the commodity market. Their incomes have risen each passing year. The 1991 per capita net income for peasants in Heilongjiang reached 734.80 yuan, an increase of 89.62 percent over 1983 with an average growth rate of 7.36 percent per year. Per capita income from the secondary and tertiary industries was 114.28 yuan, an average increase of 133.03 percent over 1983.

2. Cash income has risen on a large scale. The 1991 per capita cash income for peasants in Heilongjiang was 876.47 yuan (with the deduction of income from saving deposits and loans), an increase of 205.49 percent over 1983, of which the cash income from the market went up 282.6 percent and cash income from nonproductive sources rose by 135.19 percent compared with 1983 figures.

3. The level of consumption has become higher. Following the sharp rises of peasants' per capita income, their living standards and consumption level have also become higher. In 1991, per capita expense on food for peasants in Heilongjiang averaged 148.65 yuan, of which the per capita expense on nonstaple foodstuff was 67.12 yuan, registering an increase of 76.12 percent over 1983 and representing an average annual increase of 6.5 percent. The proportion of the expenses on nonstaple food to the entire expenses on food rose to 45.82 percent in 1991 from 31.56 percent in 1983. Per capita expense on clothing in 1991 was 58.21 yuan, registering an increase of 84.32 percent over 1983, and was an average annual increase of 7.03 percent. Per capita expense on cultural services rose to 38.79 yuan in 1991 from 9.13 yuan in 1983, an increase of 324.86 percent, and was an average increase of 17.43 percent per year.

4. Their living standards have improved. (1) Their living conditions have become much better. In 1991, per capita housing floor space for peasants in Heilongjiang was 14.34 square meters, an increase of 4.21 square meters over 1983, of which the floor space of brick or wooden

houses rose to 4.13 square meters in 1991 from 1.3 square meters in 1983 per capita, representing an increase of 2.83 square meters. The per capita value of housing quality also rose to 1,136.82 yuan in 1991 from 216.60 yuan in 1983. (2) The amount of durable goods owned by peasants in the province has increased. In 1991, there were 74 television sets per 100 peasant households, a 7.8 fold increase over 1983 and an average annual increase of 27.4 percent, of which the number of color television sets rose to eight sets in 1991 from 0.59 sets in 1983, representing a 12.56 fold increase, and an average growth rate of 33.59 percent per year. There were 17 tape-recorders per 100 households in 1991, a 6.72 fold increase over 1983. The number of washing machines per 100 households rose to 22 in 1991 from 3.3 in 1983, a 5.67 fold increase. The number of expensive durable goods such as refrigerators, motorcycles and cameras in 1991 went up by 4.5 times, 1.17 times and 18.46 percent respectively compared with 1983.

### Symposium on Rural Reform, Socialist Market Economy

93CE0100A Beijing NONGMIN RIBAO in Chinese  
8, 9 Oct 92

[Summary in two installments of speeches by symposium participants: "Success of Rural Reform Spearheads the Drive for Socialist Market Economy"]

[8 Oct 92 p 4]

[Text] On 4 October leaders from the appropriate agencies and interested experts from research units gathered together for the first "Symposium on Rural Reform and the Socialist Market Economy" at the invitation of the editorial department of this newspaper. Excerpts from their speeches are published in two parts.

**Wang Yuzhao** [3769 6735 2507], deputy director, Development Studies Center, the State Council

Throughout 14 years of reform, we have steadfastly followed the market-oriented road. The way reform is defined has changed over time. At the beginning, it was "emphasizing the planned economy, supplemented by market regulation." Subsequently that was replaced by "integrating planning with the market organically. Combine the planned economy with market regulation." Now we have finally come right out and called for the establishment of a socialist market economy. These changes, however, reflect nothing more than the ongoing deepening of our understanding in the course of practice and exploration. Certainly this process also reflects the inescapable fact that the theory of reform tends to lag behind its practice.

The countryside, no doubt is a pacesetter for the towering achievements of 14 years of reform. While the countryside is a leader in many ways, it is the early maturation of the market system that epitomizes its leadership.

To begin with, household contracting broke free from the people's commune system. In other words, household contracting made the first crack in the institutional base of the planned economy in the countryside, liberating the peasants from the "three things, namely, eating, working, and sleeping" to become independent commodity producers and operators. As a result of such liberation, tens of thousands of peasants have entered the market.

Practice proves that in the case of all deregulated products, output has risen rapidly and product quality has gotten better and better. Aquatic products, poultry, and pork, for instance, were decontrolled a few years ago. Since then not only has their soaring output made China the top producer in the world in those categories, but quality too has improved steadily. This is actually the market mechanism in action.

As the household responsibility system of linking remuneration to output is the peasants' magnificent creation, so is the development and rise of township and town enterprises yet another great invention by China's peasantry. It was a product of the market economy from the very beginning. The state did not plan for township enterprises. It did not allocate materials for them under the plan. Nor did it invest in them or sell their products for them. Instead township and town enterprises relied completely on the market to determine production and operations. In 1978, the output value of township and town enterprises was a mere 49.3 billion yuan. In 1983 it topped 100 billion yuan, and eight years later, broke the 1,000 billion yuan barrier in 1991. During the three year drive to improve the economic climate and rectify the economic order, 3 million workers returned to the countryside, but the growth of township and town enterprises did not grind to a halt. On the contrary, their output value is expected to exceed 1,400 billion yuan by the end of this year. Township and town enterprises account for about one-quarter of the nation's gross social output value and one-third of its gross industrial output value. The development and achievements of township and town enterprises prove that China is capable of putting together a market economy. The development of township and town enterprises provides a wealth of experience in this undertaking.

After a decade and more of rural reform, Chinese agriculture has made the transition from a traditional closed agriculture to an export-oriented, modern, and commercialized one. In particular, foreign-exchange earning agriculture has made rapid progress. Township and town enterprises alone delivered 66.96 billion yuan worth of goods for export last year. Thus the international market too is full of promise for China's agriculture.

Now that we have achieved a consensus on the development of a market economy, I believe we should work along these lines to continue rural reform.



1. Accelerate the development of a high-yield, high-profit, and good-quality agriculture from the macroeconomic perspective and truly orient agriculture toward the market. There is an anomaly these days. The scarcer a farm product, the lower its price; products in short supply are also the ones that are mostly tightly regulated. But the more regulated they are, the worse the shortages. This vicious circle must be broken as soon as possible. In the last few years, there has been a succession of bumper harvests in grain and oil crops. Since the warehouses are well-stocked, now is our golden opportunity to decontrol the prices of grain and oil crops. Hainan, Guangdong, and Zhejiang have decontrolled their grain prices, as well as Jiangxi. This is a good thing because only the market can work to completely reverse what is happening now in grain production—high yield, low quality—and hence increase peasants' earnings. Certainly, in the interest of balancing supply and demand, the state, through policy regulation, may act to preserve the peasants' enthusiasm for growing grain and protecting the economic interests of grain-producing areas.

2. Vigorously develop township and town enterprises, i.e., the secondary and tertiary industries. After years of development, township and town enterprises have accumulated much new experience. We need to review and improve upon it so that township and town enterprises, particularly the tertiary industry, can take new strides forward in a market economy.

3. Push for the development of export-oriented and foreign exchange-earning enterprises. Township and town enterprises that meet the requirements should be given the right to export.

4. Accelerate market construction. It can be said that agricultural country trade is now commonplace everywhere, along with a host of special markets and wholesale markets. On the whole, however, China's rural market is still underdeveloped and the construction of market facilities is still less than satisfactory. There is room for further improvement. The pace of market construction must be speeded up.

5. Township and town enterprises need to have their own financial organizations. There can be no market economy without its own financial organizations. Nowadays 33 percent of the nation's township and town enterprises have put together their own cooperative funds, pooling a total of 10 billion yuan in funds. Some provinces have even set up a township and town enterprise development fund or investment firms. Similar moves should be encouraged.

6. Step up the training of rural qualified personnel. To develop township and town enterprises and the market economy in the countryside, we must expedite technological progress. Today only 0.42 percent and 3.4 percent of township and town enterprise workers have a college or technical secondary education, respectively, which is a long way from meeting the needs of development. Besides putting the existing agricultural, finance, and

trade colleges and schools on a sound footing, township and town enterprises should have their own colleges and a full range of specialized schools.

7. Make the circulation of surplus rural workers a priority. A market economy requires the free movement of labor. The outward migration of rural workers and the movement from agriculture into nonagricultural sectors without leaving the countryside should be our strategic measures to accommodate rural manpower.

**Wu Xiang [0702 6272], director, China Rural Export-Oriented Economy Society**

It has been 14 years since China embarked on rural reform. After 14 years of practice in reform, the rural economy is closing in daily on its goal—a market economy. It is only our failure for a variety of reasons to face up to the issue of market economy or our attempt to dodge this issue that has made the course of reform more bumpy than it should be. Years of practice prove that the market economy is the only way out for rural reform. There is no other choice.

When it comes to reform and the open policy, it is generally assumed that openness is the inevitable product of reform. Actually openness itself is a kind of reform, and in many cases, spurs reform. The reality is that China is now in the grip of a resurgence of enthusiasm for reform and the open policy, with the latter attracting even more attention, taking bigger strides, and moving faster. Coastal provinces, the first to be opened up, have been joined by border provinces and even all provincial capitals. A host of eager provinces and municipalities in the interior are in the process of opening up. Guangdong, the leader in the open policy, is a success story in how one can use opening up to promote reform.

The beginning of reform is always a kind of liberation or decontrol. Rural reform, for instance, began by untying the hands and feet of peasants. I have said elsewhere that urban reform too began by giving enterprises decision-making authority. Compared to rural reform, however, urban reform is much harder and slower primarily because they are motivated by different forces.

For a long time in the past, the market economy was not allowed in the Chinese countryside. Given the social ideology of the time, any peasant who entered the market would be regarded as practicing capitalism. As a result, the rural economy for years was trapped in a vicious circle. As soon as things were decentralized, chaos set in, but when the authorities tightened their grip, things were controlled to death. Bearing in mind the prevailing historical circumstances, it was only inevitable for the countryside to find itself in this beleaguered state. The reason is that the rigid form of economic planning that was divorced from the market was a product of the backward and closed natural economy in which industry and agriculture were completely separate from each other, a natural economy of a simple administrative

command mold. It is incompatible with and even contradictory to the laws of economics. Thus reform must begin by changing these things.

In the countryside, the commodity economy first took shape with the decontrol of secondary and tertiary products. Yet the country has debated endlessly decontrol of primary products like grain and cotton. Hence the fluctuations in their output.

As long as this country remained tied up in knots trying to determine what is socialism and what is capitalism, few people had the courage to decontrol grain prices. Meanwhile experiments went ahead to decontrol the prices of other agricultural products. More and more people benefited from price decontrol and discovered the truth that when price control is lifted from an agricultural product, its output rises rapidly, as do incomes. Regrettably grain has never been able to enter the market as a true commodity ever since reform and the open policy began. Apparently full-fledged grain price decontrol has now become a matter of the utmost urgency.

The emergence of township and town enterprises as a sudden force, it may be said, represents the second wave in rural reform. While the production of agricultural products went through a process—from planned production in pre-reform days to market-planning coexistence and finally to full entry into the market, township and town enterprises have been outside the reach of economic planning from the very beginning. Whether it be funds, labor, raw materials, plants, equipment, or markets, these enterprises have been following the road of market economy through and through. Hence their fast pace of development.

The development of township and town enterprises has injected new vitality into the Chinese economy. They expanded the capacity of the market, boosted peasants' earnings, spurred the development of urban industry, and furthered the cause of reform across the board.

Rural reform has now entered the third stage, this is the all-out push for an export-oriented economy. There was a widespread drop in grain output a few years ago mainly because of the decision not to turn grain into a commodity. In areas that did see an increase in grain output, peasants' incomes declined. This anomalous phenomenon can be explained by, first of all, the failure to decontrol the grain market, and second, insufficient understanding of the development of township and town enterprises. It was only the development of those enterprises, it should be said, that has lifted the peasants' living standards appreciably and increased their incomes by a wide margin. The development of an export-oriented economy has pushed peasants' earnings to a historic high. According to our studies on the Zhu Jiang Delta, peasants' earnings were racing ahead not just 10 or 20 percent, but 30 percent, 40 percent. As a more advanced commodity economy, the export-oriented economy relies on the domestic market, on the one hand,

and orients itself toward the international market, on the other. All its elements of production are constrained by the international market.

Nowadays some people worry that the gap between the coastal areas and the interior will widen in the wake of reform and the open policy as the former's economy becomes more and more export-oriented. One part of the country certainly has an edge over the other in geography and transportation, among other things. Yet I believe the main difference between the coast and the interior lies elsewhere: the extent of openness. The old conventional wisdom was that only the coastal areas can feasibly adopt the open policy. Now even the interior has its own success stories in opening up. The fact of the matter is that the interior is not necessarily at a disadvantage when it comes to carrying out the open policy. For instance, it boasts such advantages as ample resources and low-cost labor, to name a few. What the interior must concentrate on now is to improve its investment climate and transportation system. They still have a chance.

Finally, let me go back to the issue of operating in accordance with the laws of economics. The most effective and basic approach to reform and opening up is to act in accordance with economic principles and established international practices. Soon China will have its membership in the General Agreement on Tariffs and Trade restored. Then it will not be a question of whether or not we want to act in accordance with international practices. Instead we will be compelled to abide by economic principles and international practices.

**Duan Yingbi (3008 2019 4310), director, Rural Economic Research Center, Ministry of Agriculture**

From the very beginning, the goal of rural reform is the market economy, rural reform has been market-oriented if nothing else.

The achievements of rural reform prove that we were correct to follow in the direction of the market economy. Our mission now is to stay the course and continue rural reform.

Based on the needs of developing a market economy and in light of the reality in rural reform today, I think we should grapple with at least these detailed tasks in the future.

1. Strengthen the position of the peasant household as the principle operating unit. After the household responsibility system of linking remuneration to output was adopted in the countryside, the peasant household became the basic production unit, having won decision-making authority in production and operations. This lay the foundation for the creation of a market economy. Judging from the current situation, however, peasants still do not have sufficient decision-making authority in their production activities and their rights are often infringed upon.

The entry of all principal operators into the market is the most basic prerequisite for the working of the market economy.

That is why we need to continue reform to enhance the position of the peasant household as the principal operator in the business and turn it into a relatively independent commodity producer and operator with its own decision-making power.

2. Speed up the improvement of the market system for agricultural products. What a rural market economy needs first and foremost is a market for agricultural products. Today about 80 percent of the market for agricultural products has been decontrolled. In that part of the market the circulation of agricultural products essentially takes place on the market. The problem now is that some agricultural products have not been decontrolled thus far. For these products, dual pricing is still the order of the day. In addition, there are cases in which decontrol has been accompanied by excessive price swings, so stability remains elusive. That is why we say the market must be improved. The economic macroclimate is quite favorable right now. We must take advantage of this great opportunity to decontrol whatever that has not been decontrolled without delay and end the dual-track pricing system. If we do not put an end to the dual-track pricing system now, we will only create new conflicts and troubles. The market today remains highly erratic, so it cannot send out market signals that are accurate and genuinely reflect supply-demand relations. This makes it imperative that we improve the market system for agricultural products without delay and also perfect the price system to prevent market prices from fluctuating too much. It also requires us to create the appropriate market regulating mechanism. On this point the central government must take a clear-cut stand.

3. Develop the market for capital goods. Our market for capital goods lags behind badly. Right now the three most important markets are those for funds, labor, and land.

A reasonably mobile labor force is essential. The fact of the matter is that today tens of millions of peasants are already on the move and have even found jobs outside their villages. However, this kind of employment is highly unstable. The main roadblock is our permanent residence registration system, which means that they can only work as laborers on public projects elsewhere. The permanent residence registration system also has prevented township and town enterprises from leaving the villages. That is why we say we have reached a point at which the system must be changed.

It is the financial market that glues everything together. Funds, particularly credit funds, still come under the old planning system. This system is hard to change because banking is the primary tool with which the state carries out macroeconomic regulation and control. So the system must be changed cautiously. This situation makes

it even more essential that we accelerate the development of a rural market for capital goods and encourage the creation of a wide variety of private financial institutions. Turning to land, we must strictly abide by the state and collective ownership of land. Be that as it may, we need to further broaden land use rights and put the transfer of such rights on the agenda without delay. Rural properties, especially collective properties, all revolve around land. Once removed from the village, the peasant often ends up not owning a thing in the world. Today some township and town enterprises have introduced the shareholding system and there are reports that a number of rural communities are following suit. This phenomenon is worth watching.

4. Accelerate the development of intermediate organizations. How to bring together peasants, who are widely scattered, and the market? How are they to obtain market signals? We propose that every peasant enter the market, and rightly so. But we also must put together the intermediate organizations that would provide the services to help them successfully become part of the market. These organizations will not issue administrative orders but provide market services and guidance. This is something we should pay attention to. Moreover, they need not all be the same or conform to one mold. Instead there should be diverse cooperative organizations put together by the peasants themselves to help steer them into the market smoothly. We should guide peasants in establishing and nurturing a wide variety of service organizations in the countryside and mobilize the peasants to enter the market en masse. These days organizations linking agriculture and industry with trade are springing up everywhere. These are fine organizations. We cannot rule the world with just one kind of organization. Apart from production, we need to guide them to make a profit from the processing and sale of agricultural products so as to reduce exploitation during the intermediate stages.

5. Change government functions. A market economy requires the government to perform more functions, not fewer. It demands that the government intensify management, but of a kind that must be totally consistent with the development principles of the market economy. What the planned economy did was precisely to fuse government administration with enterprise management, the very root cause of the phenomenon in the rural market—decontrol immediately leads to chaos, but control tends to stifle. What we must do now is to sort out the functions of the various government departments and decide which belong with the peasants, which belong with the community organizations, and which with the government. It would be a mistake if a government at whatever level decides to simply turn an agency into a business unit, for instance, by calling it a so-and-so company just because it has more people on its staff and feels compelled to swim with the tide of reform.

[9 Oct 92 p 3]

[Text] Chen Jiyuan [7115 0679 0337], director, Rural Studies Institute, Chinese Academy of Social Sciences

There are economic as well as political reasons for the disintegration of the Soviet Union. One economic reason is that it failed in all those years to put together a market economy, particularly in agriculture. Under the old collective agricultural system, agricultural products were traditionally underpriced while industrial products were acquired at high prices. As an agricultural expert from the Ukraine told it, the procurement price of one ton of wheat in Ukraine was 94 rubles, or \$100 based on the exchange rate at the time, while it cost \$200 to import one ton of wheat. This shows that an important reason the Soviet Union disintegrated was economic and agricultural failures and the disconnection between production and market. We should learn a lesson from it.

In China rural reform succeeded primarily because we pursued a market economy. Over a period of 14 years, rural reform covered mainly three areas. First, the introduction of the household responsibility system of linking remuneration to output has transformed passive producers into commodity producers. Second, the rise of township and town enterprises, thanks mainly to their market-oriented operating mechanism. Although township and town enterprises took the brunt of the burden every time we experienced economic difficulty, they have survived, much like the grass that grows again after a prairie fire when the spring breeze blows. Why? It is a question of mechanism. Just the opposite is true of state enterprises. Over a dozen years ago we made the revitalization of large and mid-sized urban state enterprises the central mission of reform. A dozen years later, the mission remains unfulfilled. State enterprises are still "eating from the big rice pot." Third, the decontrol of the prices of agricultural products and the establishment of a rural market. Since 1985, some agricultural products have been decontrolled. Whenever an agricultural product was decontrolled, output went up and quality became better. After aquatic products were decontrolled in Guangdong, supply became plentiful and quality was excellent. But instead of rising, prices actually dropped. Without the resounding success of rural reform, it may be argued, there is no way the 14th CPC National Party Congress would have made the market economy the main goal of reform.

Now that the market economy has been affirmed as the main goal of reform, there are many new issues that we must get a handle on. Traditionally, many of our leading cadres mastered the planned economy and lived under the system. In many a way they controlled things to death. However, they were less than effective when it comes to revitalization. This means that they now have the task of relearning the socialist market economy. Some time ago I went to Guangdong and saw a notice in a township in Dongguan County signed and issued by the industry and commerce bureau of Shenzhen. Displaying a glaring lack of basic economic knowledge, the

notice said that the reselling of shareholding lottery forms for a profit was prohibited because the forms were negotiable securities. When a company issues stock, it should provide shareholding lottery forms free of charge. People should not be required to pay for such forms.

How to guide the continuous development of township and town enterprises? This year township and town enterprises have been expanding even faster: up to 40 percent, even 50 percent in some places. Note this emerging trend, however. Some localities have been issuing mandatory orders to open township and town enterprises. A class I township must set up an enterprise with an investment of 200,000 yuan while a class I village must create an enterprise with 100,000 yuan worth of investment. Those who fail to do so are required to produce a yellow sign at best, and at worst, be subject to administrative sanctions. Another noteworthy point is the geographical distribution of township and town enterprises. In its wisdom the central government emphasizes a reasonable concentration of resources to build a number of industrial zones. Under the 10-year plan of the seventh plenary session, the distribution of township and town enterprises was consistent with the movement of the agricultural labor force. At the time, the emphasis was on leaving the soil but not the village. A fire would be lit in each village and smoke would rise from every household. We must not go too far with the leaving-the-soil-but-not-the-village formula. In the future the stress should be on combining "leaving the soil but not the village" with "leaving the village as well as the soil." Certainly the idea is not to enable peasants to enter big cities en masse. Rather, they should be relocated in large numbers to create a host of small towns. A study conducted sometime ago by the research office of the State Council proposed that some measures, including a residence registration system, be taken to encourage peasants to enter the cities, thereby leaving their villages and the soil. I think that is good.

[Xueyi [7120 1331 9669], director, Sociology Institute, Chinese Academy of Social Sciences

Making the market economy the general orientation of our reform is the conclusion we arrived at after 40 years of practice since the PRC was founded, an important lesson we have learned through a decade of reversals in rural reform.

There is a rule in the Chinese countryside: namely small production, big market. This is its basic characteristic. Over 220 million peasant households facing a market of 1.1 billion people (not to mention the international market). How to put the two together? A complicated matter.

In rural reform, many methods have been tried since the PRC was founded. During the "one-five" period (beginning in 1953) in the 1950's, the first thing we did was to tighten circulation, impose economic planning, and



monopolize buying and selling. Next came the cooperative movement. As a result, both circulation and production were tightly regulated. Prior to that period, it was hard to obtain grain from each household individually. Now it was much easier to obtain grain from the commune and production team. Grain produced by peasants was first taken to the commune and production team for distribution among the peasants. That way peasants were controlled like military units. As they used to say, the method of proletarian dictatorship to regulate agriculture. All the peasants could do was to go slow at work. In the last dozen years, however, agriculture has been decentralized step by step with the market guiding production. Practice proves that this is a correct approach.

I think the time has come to put an end to the state monopoly on purchasing and selling. We missed an opportunity in 1984. Don't let another golden opportunity slip by. I was in Hangzhou last spring where warehouses were bulging with 8 billion jin of early-season polished nonglutinous rice. The local peasants have no taste for early season rice. The agricultural community proposed to the provincial government that the latter make an exception by giving it the freedom to decide whether or not to grow early-season rice. The provincial government lacked the courage to do even that. Jiaxing, Zhejiang Province, is separated from Jiangsu Province by just a river, yet while Jiangsu has been growing one-season rice for seven or eight years, Zhejiang continues to grow double-harvest rice, which it does not really want to grow or eat.

To me the market economy is more than an economic system; it also involves the social and political systems. We should reform comprehensively across the board.

The permanent residence registration system must be changed. Not only does the residence registration system hinder economic development, but it also impedes the establishment of an effective market economy. According to the 1990 census, 26 percent of China's population was nonagricultural. It can be raised to 40 percent, the current average in the world. Even India has a higher rate. To avoid unrest, we can first reform the permanent residence registration system in the coastal provinces of Zhejiang, Guangdong, and southern Jiangsu. Then there are reforms in housing, education, and scientific research, and the rate at which townships are to be developed.

**Li Yi (12621 6993), deputy director, general office, Rural Restructuring Department, State Restructuring of the Economic System Commission**

How should we perceive the socialist market economy? I believe that first and foremost we should regard it as a market economy based on the principle of justice. This is because socialism itself was born of humanism and justice. China's traditional culture, in particular, is colored by a strong streak of egalitarianism, what with its idea of "sharing wealth and leveling classes," "ownership by the whole people," and the system of "eating

from the big rice pot." Justice is inherent in socialism. Our socialist market economy of the future must also not violate this principle. Moreover, market competition must be premised on justice.

Second, we must interpret the socialist market economy in the present stage as one with a fair amount of economic planning. We must demand that the market economy be a planned economy up to a point. In the course of reform, we cannot but have to face up to 40 years of history, the powerful government administrative and management machinery, and the basic organizations and institutions that go hand in hand with planning.

Third, if we regard the market economy as our goal, we must redefine the principle of egalitarianism, overhaul the planning system, rethink more than four decades of history, and work our way to our goal—a genuine market economy—through reform.

Faced with the three pieces of reform mentioned above, it is essential that we adjust the pattern of interests in all society in the course of development.

1. There is a mistaken perception that urban reform is separate from rural reform. When we talk about reform these days, we tend to overlook rural reform and focus more on urban reform, such as the reform of large and mid-sized enterprises and organizational reform, and fail to explore the links between urban reform and rural reform at a deeper level, assuming that industrial reform can take place in isolation from the countryside. But the fact of the matter is that with its ample manpower and bountiful industrial raw materials and as a supplier of consumer goods for urban residents, the countryside has an immense impact on the transformation of our industrial structure and on urban reform. In this China is vastly different from countries like the former Soviet Union. In the former Soviet Union, the urban population was far bigger than the rural population and agricultural byproducts fell short of meeting the needs of urban consumers and industrial development. Exactly the opposite situation obtains in China. In this sense China's rural reform was a great success and has relieved the pressure on urban reform. During the three year drive to improve the economic climate and rectify the economic order, the treasury came under tremendous pressure and industry suffered shrinking profits, yet there was no major economic unrest, thanks primarily to the three major "regulators," namely finance, agriculture, and township and town enterprises. The principal factor is rural stability. The rural economy is a huge regulating system. Many urban crises and pressures have been defused in the countryside.

This is why I believe we must sort out the current urban-rural relations if we are to explore rural reform at a deeper level.

2. Reforming the circulation system of agricultural products. The main thing is that we should have a deeper understanding of the operating system and methods of

the grassroots in the countryside. The circulation of agricultural products is certainly not just a matter of price decontrol. The usual justification for grain price decontrol is to ease the pressure on the government coffers and grain operating units. But it is the peasants who will be left to bear the consequences of price decontrol. If market reform does not take place in a favorable climate and goes awry, the peasants would be the first to be hurt financially. When there is a glut of grain, for instance, and if the buying and selling of grain is improperly managed, grain price decontrol would do more harm than good. Better to think in terms of the decontrol of the circulation and management of grain, I think, than to think simply in terms of the decontrol of grain prices alone.

1. Development of township and town enterprises. China's township and town enterprises have developed rapidly first and foremost because the countryside is free from the problems that bedevil the old industrial system. They have a good growing point and a favorable climate. But if township and town enterprises repeat the mistakes of the urban system when they reach a certain point in their development, the results could be highly dangerous. The development of township and town enterprises is tied up with local ties, kinship ties, and family ties. The potential "big rice pot" also may rear its ugly head again. So we need to have a clear understanding of township and town enterprises. Now the talk is of developing township and town enterprises in western and central China, but we must look at the investment returns carefully.

4. Peasants' earnings. No longer is the level of peasants' earnings determined by agriculture itself. Between 1986 and 1988, agriculture was in the worst of shape, yet peasants' earnings had their steepest climb mainly because of the 30 percent growth of secondary and tertiary industries in the countryside, including township and town enterprises. In contrast, the agricultural situation was fairly sound by and large in the 1989-1991 period of economic rectification, yet peasants' earnings hardly grew at all.

**Li Bingkun** [2621 3521 0981], deputy chief, rural group, State Council Research Office

Our call today for the establishment of a socialist market economy as our goal is inseparable from rural reform. We can even say it is precisely the success of rural reform that has inspired such a goal. I think this is mainly manifested in two ways.

1. The experience of revitalizing circulation through the decontrol of agricultural products. Practice proves that in the case of aquatic products, pork, eggs, and milk, which were the first to be decontrolled, the results have been good. Incomes are up, market supplies are plentiful, and circulation is smooth. As for other products whose prices are still under control or were deregulated more recently, often we either have too much of them or too little. The supply-demand gap is rather wide. Price

decontrol is the first step toward entering the market. Its achievements have been recognized by all. Although the rural market remains a highly incomplete market, therefore, it already has provided us with a success story.

2. Development of township and town enterprises. They bore the mark of the market economy from their very inception and grew up amid a barrage of criticisms from all quarters and competition with state enterprises. In the current system as well as under the old order, state enterprises are favored in many ways in their competition with township and town enterprises. However, we see that the profitability of state enterprises has gradually diminished at the same time as the market became a more prevalent force. This being the case, if state enterprises are not radically overhauled but continue to be sheltered by a protectionist policy, they would account for a shrinking share of the national economy as the government doles out less and less financial aid to them. Thus we can say that township and town enterprises (along with enterprises wholly or partially funded by foreign capital) have been a powerful stimulant to state enterprises through the market.

After a dozen years of practice and comparison, few doubts remain as to the affirmation of the socialist market economy as our goal. In China, reform has saved socialism. In the future, we will continue to rely on reform for development and to inject more vitality into the economy. The affirmation of the socialist market economy as our goal is another wise choice.

The push for a socialist market economy in the countryside has yielded successes and experiences. One foot has stepped forward, now is the time for the other foot to catch up quickly. In other words, now that we have a relatively flexible price policy and production and management mechanism, it is time for the market standardization system and market construction to catch up. The existing order in which planning controls and regulates the economy must be reformed gradually but expeditiously. It needs to be replaced by a new regulating and control mechanism. Whether or not we can pull this off will be crucial in determining the success or failure of reform.

**Zhang Congming** [1728 1783 2494], deputy chief, rural group, Policy Research Center, CCP Central Committee

General Secretary Jiang Zemin has made clear in a speech that the socialist market economy is the goal of China's economic structural reform. To China that is a new and big issue.

The word "big" has several levels of meaning. For one thing, it refers to its enormous significance, not only for the here and now, but also in the long process of history, not only for the construction of socialism with Chinese characteristics, but also for the international communist movement. At a critical juncture in history, our party put forward the theory of building a socialist market economy in China, guided by Comrade Deng Xiaoping's thesis of building socialism with Chinese characteristics.

and building on its experience in 10 years of reform. Its significance is indeed colossal.

Second, it is "big" in that it covers a wide area and constitutes a massive and complex piece of systems engineering. Not only do we need to make concomitant changes in the economic base, but we also must modify the superstructure correspondingly, introducing appropriate political and cultural reforms.

"New" means this is a new topic, absent from classic Marxist writings and unknown in the former Soviet Union or Eastern Europe. A new topic, but also an inevitable one. The former Soviet Union spent decades putting together a highly centralized system, so did we for 30 years, only to discover that it would not work; that system was lifeless and lacked vitality. To say this does not in the least deny that the planned economy played a useful role in the historical circumstances at the time, nor that planning performs important functions in the current economic operating mechanism and will do so in the future. On the whole, however, a highly centralized planning system is unworkable.

The theme of our reform of the past few years, particularly rural reform, has been market orientation. And it has been a success. Although nobody talked about creating a market economy then, all the tools used are those of a market economy.

Take a look back at history and you would see that it was no accident that the party made the choice that it did. In the early days of liberation, we mechanically copied the Soviet planning system. After its flaws were discovered, Comrade Chen Yun [7115 0061] proposed that the planned economy be combined with market regulation, and later called for a "cage" economy, which marked another step forward. Subsequently the Third Plenary Session of the 12th CCP Central Committee proposed a planned commodity economy, giving the market an even greater share in the economy. The 13th CCP Central Committee was even more forthright in its call for the creation of a socialist commodity economy. In the process of overcoming the weaknesses of centralized planning, our economic system has also given the market a more and more important role. Today the market has soared in significance.

The emergence of this new topic confronts us with many new issues. Will we be able to pull this off? We are confident. For one thing, we have accumulated over a dozen years of reform experience, having learned from the achievements of all mankind. At the time, we recall, things seemed quite daunting. Subsequently we did not do too bad a job. In a war, we learn how to wage war, in construction, we study construction. Mistakes were made, but in the main we have succeeded. With the joint effort of the entire population, the goal put forward by the party will be realized.

Chen Xiwen [7115 6932 2429], deputy director, Rural Development Research Center, the State Council

It is significant that NONGMIN RIBAO chose this topic. It can be interpreted at three levels at least. One, review the most basic lessons from rural reform, two, explore ways of deepening rural reform, and three, through this discussion, apply rural reform to the political and economic arenas. Another good thing about this topic is that it grasps the essential changes wrought by rural reform in recent years. If we compare reform in China with reform in the Soviet Union and other Eastern European nations, we see that in all the places where reform has been most successful, the private economy has taken off. And the take-off of the private economy to a certain extent has made a dent in the all-embracing control of the planned economy. From this perspective, as a professor at Harvard University in the United States has noted, it is basically in places with a private economy that reform has succeeded. In the Soviet Union, the private economy was tiny. After over 70 years, just about every citizen had become a ward of the state. Hence its collapse. The same did not happen in China, which is why reform has succeeded in this country.

Let me make three points in conjunction with this topic:

First of all, as pointed out in an article in NONGMIN RIBAO on 2 October, if we think rural reform is a success, then so is the market economy. The very success of rural reform testifies to the success of the market economy in China. Everybody agrees that but for the household responsibility system of linking remuneration to output, there would have been no rural reform and the string of economic changes that came in its wake. At an even deeper level, just the household responsibility system of linking remuneration to output is not enough by itself. Objectively speaking, the system itself has undergone a fundamental change, specifically from "baochen," or "fixing of farm output quotas for each household," to "baogan," or "holding a household responsible for a task until it is completed." What makes this change so important is that it is the difference in mechanism between "fixing of farm output quotas for each household" and "holding a household responsible for a task until it is completed" that paved the way for the subsequent maturation of the market economy. "Baochen" means fulfilling a set output quota; the peasant was still required to hand over his crops to the production team for centralized distribution and calculation. As for "baogan," it means, in the words of Fengyang peasants, "keeping everything that remains after fulfilling the state and collective quotas." We can see from this change that what the peasant is really after is enlarging his piece of the pie endlessly. Now that his basic needs have been met, his endless drive to expand his piece of the pie means that he would be able to acquire things on the market in accordance with the principle of the exchange of equal value through commodity and monetary relations. As far as peasants are concerned, they have been able to fulfill their wish to enter the market in the wake of general contracting.

Precisely because peasants now own a piece of the pie, we have no choice but to guide commodity and monetary relations if we are to mobilize their enthusiasm. There have been endless price reform and adjustments. What is important is that we need to continuously adjust the size of the peasants' share of the pie.

Second, to continue rural reform and resolve the most glaring problems currently facing reform, we should accelerate the maturation of the market. These days the most striking incongruity is that between the peasants' pursuit of a relatively comfortable standard of living and the stagnation in their income growth. The fact of the matter is that peasants' income growth has ground to a halt in the past three years. According to my own calculations, in 1989-1990 real income growth among peasants was a mere 0.72 percent. Since 1990, what the peasants have been most concerned with and most vocal about is the pursuit of a comfortable standard of living. Yet income growth has failed to keep up. This is a serious problem that can only be solved with help from the market economy.

I think at least four reasons have slowed peasants' income growth. One, prices. However you look at it, the drop in the prices of agricultural products and the climb in the prices of industrial products in the past three years, thus widening the price scissors, have a lot to do with the stagnation in peasant income growth. Two, blocked circulation, making it difficult both to buy and to sell. The resultant failure to realize commodity value has significantly limited income growth. Three, an important factor behind the difficulties in buying and selling is the poor quality of agricultural products. The same logic applies to industrial goods sitting idle in the warehouses. When the quality problems of agricultural products remain unresolved, they too have a depressing effect on income growth. Four, although the output value of township and town enterprises soared in the last three years, their job creation has slowed considerably, adding just 300,000 new jobs between late 1988 and 1991. When fewer jobs are created, less incomes are generated. The employment of peasants essentially has to do with the distribution of means of production. Marx pointed out that in the final analysis the distribution of consumer goods is determined by the distribution of means of production. As far as the peasants are concerned, less means of production mean less income.

Administrative orders will not resolve these four problems. Equally futile is to look to the planned economy for help. The only hope is to speed up the construction of a socialist market system.

Third, to accelerate the construction of a socialist market economy, we need to achieve a breakthrough somewhere. There are two major possibilities.

1. The issue of property rights. Why has there been such a loud clamor for the shareholding system and shareholding cooperative system in the countryside in the past three years? The answer is intimately related to the issue

of property rights. Property rights are a prerequisite for a mature market. We must talk about commodities if we are to talk about a market economy. And we must talk about money and exchange of equal value if we are to talk about commodities. Suppose it is not clear whom these things belong to. Then no exchange can take place. Accordingly, a commodity economy or market economy is conditional upon the clarification of property rights, which is both a theoretical and a practical issue. On the theoretical level, our ideological education has traditionally misled people into thinking that property rights mean simply the ownership of capital goods. That is not true. In my opinion, the ownership of capital goods emerged as an issue after the birth of private ownership. In the traditional economy, what concerned people most was whom a particular piece of property belonged to. As long as it was clear who the owner was, he could do whatever he wanted with it. Property rights, on the other hand, is a concept of modern economics. To a certain extent, people are less concerned about who owns a piece of property than how to use it to benefit society. Although property rights too have to do with the ownership of property, they have more to do with the way properties are put to use. Modern environmentalism and ecological consciousness, for instance, to some degree constrain the arbitrary use of properties.

The rise of the shareholding system and shareholding cooperative system, for instance, prove that property rights in the countryside have changed radically in the course of reform. Now that property rights relations have changed, we should figure out how to reorganize them so that even higher value can be created.

In practice, this is the question we are posed with as far as property rights are concerned: Who can own property? In the past it was public ownership. Now can the individual own means of production? Should properties be allowed to generate income? In the past, it was said that only labor created value; the creation of value by properties was called exploitation. Now it seems that both reality and theory have changed. After a dozen years of reform, peasants already have become property owners, quite a change from the era of the people's commune. If property rights are not taken into consideration when we organize production and allocate resources, peasants may be alienated. The ownership of properties by peasants is a basic driving force behind rural development in recent years and is fully consistent with the "three advantages" put forward by Comrade Deng Xiaoping. In their practice peasants have found a new formula that recognizes property rights, on the one hand, and is an innovation in organizational and managerial terms, on the other, namely, the shareholding system and shareholding cooperative system.

The second breakthrough—changing the peasants' status. This issue is related to the permanent residence registration system. What does "peasant" mean? The established practice worldwide is to call whoever that farms the land a "peasant." Being a peasant is an occupation, like worker, doctor, teacher. We, in contrast, refer to as



peasants many people who are not in farming. In Beijing, for instance, there are 800,000 to 1 million rural workers from out of town. They are called peasant laborers on public projects euphemistically and aimless vagrants uncharitably. Foreigners have a hard time figuring out what China's peasant entrepreneurs are. They think peasant entrepreneurs mean large farm owners who run extensive pieces of land. In fact, in China peasant entrepreneurs no longer have anything to do with land. Under these circumstances, "peasant" is a status. A peasant has a different status from that of an urban dweller. Legally speaking, status-based distinctions amount to discrimination. The fact of the matter is that peasants are discriminated against; they have no permanent registered urban residence and enjoy no government subsidies, labor insurance, or other benefits. In the interest of industrial accumulation, peasants were kept out of cities in the past. At that time the permanent residence registration system was still workable. Today, the large-scale mobility of peasants has become a reality. If we stubbornly cling to the status system created decades ago and continue to curb the peasant movement, we will be constraining the development of the economy and hence the movement of properties, making it impossible to end the decentralization of township and town enterprises and ensuring that they would remain small operations. Politically this system is also highly injurious to peasants. It is unjust that peasants occupy a different status and are discriminated against. Since we criticize capitalist nations for their racial discrimination, we should not practice status-based discrimination either, not to mention discrimination against the majority.

**Min Yuliang** [7046 5069 5328], deputy director, Policy, Law, and Regulation Department, Ministry of Agriculture

Continuing rural economic reform should revolve around the general goal of creating the mechanism of a market economy. There should be further exploration into the conceptual boundaries between the planned commodity economy and socialist market economy and the relations between the two. Objectively speaking, we clearly achieved a major breakthrough by calling for a socialist market economy. Most remarkably, we no longer emphasize the predominance of the planned economy, supplemented by market regulation, and have unburdened ourselves of the mistaken notion that "to be market-oriented is to practice privatization." The call for a socialist market economy is more in line with our reality of continuing reform and will contribute to the general goal of rural reform.

Only the market can truly be effective in allocating resources, balancing supply with demand, evaluation, and rewarding the strong and penalizing the weak. In all the things we want to do now, such as developing rural socialized services, strengthening the collective economy, and developing a "three-high" agriculture, we should use the market mechanism and rely on the market to achieve our ends. On the one hand, demands have diversified under the commodity economy. Planning

alone is not up to the task of meeting such demands. — the other hand, only the market can satisfy the peasants' desire to enhance their income and spur them to increase their investment in agriculture. Special government policies neither work nor serve their purpose of protection.

In conjunction with the general goal of rural reform and the establishment of a market mechanism, I think we should concentrate on doing these three tasks well.

1. Establish a rural market system. Let peasants enter the market freely in any one of a number of ways. That in fact holds the key to continuing reform in the countryside. It means that we must recognize peasants as independent leading participants with their own interests not only verbally but also in action, and acknowledge that the underlying motive of their operations is profit maximization. We must forthrightly recognize property rights and clarify the economic relationship between the peasant and the state, the agricultural tax excepted, as one of exchange of equal value. First, the shareholding system and shareholding cooperative system are a tangible way to clarify property rights within the countryside and represent a feasible means whereby more and more peasants' funds and properties can flow into agriculture. Macroeconomically speaking, we must end the traditional practice of using administrative orders to guide agricultural production. Second, decontrol the buying and selling of agricultural products across the board gradually. Let the market do the regulation. Third, encourage peasants to get organized to participate in circulation so as to increase the extent to which they are mobilized. Enhance their self-protection ability in a market economy. Encourage the transporting of goods for sale, either by an individual or several households working together, the development of all kinds of specialized association, and the integration of the production, supply, and marketing of agricultural products. Integrate agriculture and industry with commerce or trade. Establish a variety of market types. Let peasants enter the market freely.

2. Nurture the market system. Depending on local conditions, governments at all levels should speed up the construction and improvement of a market system in accordance with the principle of rational allocation, smooth circulation, comprehensive all-round coordination, combining order with vitality and low costs with results to guide production, further energize the rural economy, and help peasants achieve wealth. Mobilize the enthusiasm of all quarters. Open markets of all forms and shapes with local characteristics, including a variety of special markets and general markets, commodity markets and markets for capital goods, country fair markets, wholesale markets, and futures markets. Vigorously build bridges between the local markets, the national market, and the international market. Steadfastly open up the market across the board. Break down ownership-based barriers and end regional blockades and separatism so that goods flow smoothly and fair competition can take place. Gradually establish a body

of market regulations, standardized and scientific, to ensure that the market operates normally.

3. Improve the government's macroeconomic regulation and control system. It is the government's duty to ensure the normal operations of the market economy. In practical terms, this involves management, regulation and control, and protection. After price control is lifted from ordinary agricultural products, the risk may be jointly borne by the producer, operator, and consumer. State enterprises should involve themselves in regulating surpluses and shortages and bring about competition on a level playing field. As for key products such as grain, cotton, and oil crops, which impact the national economy and people's livelihood, there is nothing wrong

with peasants modifying their production based on self-interests, changes in market supply and demand, and price movements. On the macroeconomic level, however, it is imperative that the state maintain a rough balance between the supply and demand of key agricultural products, something that market regulation alone cannot achieve. For this reason, the government must protect the production of major products as appropriate, for instance, by creating a reserve revolving fund and introducing a minimum protection price procurement system. All countries in the world, be they exporters or importers of farm products, developed or developing nations, adopt policies to protect agriculture to balance the interests of agricultural workers vis-a-vis those of other workers and stabilize their agricultural output as a nation.

### Problems of Local Economic Legislation

92CM04104 Shanghai FAXUE [JURISPRUDENCE]  
in Chinese No 129, 10 Aug 92 pp 1-4

[Article by Sun Chao (1327-3390), affiliated with the East China Institute of Political Science and Law: "Current Local Legislative Problems"]

[Excerpts] [passage omitted] As we deepen our economic reforms and open up more to the outside world, China moves towards another sustained upsurge of local legislation. Faced with rapidly growing and intense legislative demands, China is encountering the following local legislative problems, which urgently need to be solved:

1. Local legislation, local economic legislation in particular, is confronted with ideological "taboos." While China's economic reforms are advancing more rapidly with the inspiration of the speeches Comrade Deng Xiaoping made on his spring tour of southern China, many economic relations involving deeper economic operating forces remain in a state of legal limbo. This legislative lag and the large number of social relations that are in need of legal regulation are posing enormous obstacles to the further deepening of economic reform. One of the key reasons for the hesitation that has caused our legislative work to lag so far behind public demand is the frequent tendency to make "capital" or "society" our primary or key legislative criterion. For instance, when setting our legislative standards for compensated land transfer, instead of taking an interest in the possible enormous economic and social benefits of such legislation, we have thought first about whether it might restore the imperialist concessions. When trying to draw up a bankruptcy law, we have regarded bankruptcy as an absolutely unacceptable patent of capitalism. Some have considered formulation of a joint-stock company law to be a form of capitalist ownership. When drafting stock exchange legislation, people have instinctively shrunk from the very subject. It is thus obvious that ignoring the general character of large-scale socialized production and denying the identical nature of the commodity economy development process and remaining blindly caught up in the debate over "capitalism" and "socialism" has cost us a golden opportunity for local economic legislation. [passage omitted]

2. Local economic legislative problems exist in the relationship between local laws and regulations and government rules and regulations. While China's constitution and relevant laws clearly give provincial people's congresses and their standing committees the authority to enact local laws and regulations, and provincial governments authority to draw up government rules and regulations, they certainly do not explicitly set forth the interrelations between local laws and regulations and government rules and regulations. This results in many localities allowing their governments to draw up government rules and regulations on economic legislation without demanding that provincial people's congresses and their standing committees enact local laws and

regulations. The result is the inability of government rules and regulations to effectively regulate many social relations. For instance, there is a problem with establishing legal responsibility for illegal actions in regulations on matters such as limited-liability companies, stock exchanges, and real estate. However, since government rules and regulations drawn up by local governments do not have the jurisdiction for establishing new legal responsibility, many local government regulations on legal responsibility for violations of relevant legal standards are simply declarations, or else these regulations make no such provisions at all. It is particularly worth noting that the relevant economic actions involved in joint-stock company establishment, stock exchanges, and the real estate industry have already far surpassed the former meaning of economic actions in their planned economy sense. Cheating and profiteering in these economic actions can cause enormous socio-economic fluctuations and huge business and financial losses for the parties involved. Making regulations for such economic actions that merely have declarative significance, or establishing only vague legal responsibility for legal violations committed in such complex economic activities, makes it impossible to either guarantee the normal operation of the relevant economic relations or effectively curb the spread of crime in these economic actions. These problems also exist to a considerable degree in our current central legislation. [passage omitted]

3. It is possible to manipulate local economic legislation. While lawmaking is aimed basically at applying laws fully to social activities and thus, realizing the value of laws, current local economic legislation is characterized by too many general principles and rough outlines. While we have apparently achieved a reliable legal basis for many aspects of our socio-economic activities, people have discovered that in their actual application, these laws can be circumvented or else their genuine regulation of people's interests is too general, leaving a great degree of freedom in dealing with the actions concerned. This freedom not only provides the legal conditions for arbitrary interpretations of laws, but also adds considerably to the legal responsibility of law enforcers. The limitation of our laws due to their manipulability has the following causes: 1. In local economic legislation, legislatures lack the necessary leading research on relevant economic relations. [passage omitted] 2. People misunderstand the value of legislation, thinking that its aim is to be simple and clear. In fact, the only genuine aim of laws is to obtain a correct understanding of social activities and achieve an accurate and timely application. [passage omitted] Many of our current local laws and regulations are of very limited jurisdiction. Such laws and regulations lead to inapplicability here and the need for amendment there. This shows that the pace of social change has accelerated, while reflecting the fact that our local laws and regulations lack proper foresight on possible future changes. Our laws lack leading countermeasures for possible deviations and unforeseen phenomena. Such shortsighted legislation is bound to come

at the cost of infringement on the interests of the state, society, and individuals [passage omitted]

4. There is a problem of local economic legislation being too short-term. We have long tried to make our laws correspond to our policies. We seem to set policies to control short-term actions, while making laws to administer long-range activities. We think that policies should be flexible but laws should not, and that policies applied in the short term but laws are suited only to the long term. Of course, while this difference between policy and law is objective, it is not absolute. Moreover, as we have artificially enlarged this difference in our legislative work, our thinking about legislation is that laws must have a jurisdiction of from 30 to 50 years. This means that we fall back on policy to regulate many social relations that should be administered by law, or simply wait for social relations to mature and the awareness of a social relationship to be raised before we set about legislating. This not only causes us to miss out on legislative opportunities, but also brings unnecessary delays to the orderly guidance of social activities. Of course, when policies and relevant laws conflict as we deepen economic reform, court judgments favor laws over policies. This means that applying laws to regulate the relevant social relations has become a basic demand as economic reform deepens. [passage omitted] If people blindly strive for long-term legal applicability, legal stagnation will exclude laws from being a means of regulation in contemporary society. Thus, we can and should enact laws that are more flexible.

5. Local legislation is in urgent need of standardization. While China's local legislation has made great strides in the last decade, it still takes too long to enact. Many key local laws and regulations taking a year or longer to complete. In addition to inadequate early-stage legislative planning, backward legislative methods, legislative coordination difficulties, and conservative legislative ideology, another key factor in this is our lack of legislative standardization. Our local legislation is still not completely standardized in legal form, wording, and interrelated content. [passage omitted]

### Gigolos Rise in Response to Female Affluence

GU MINGJIA Shanghai SHEHUI [SOCIETY]  
in Chinese No 91, 20 Aug 92 pp 14-16

[Article by Zhang Shu (1728 5771): "New Abnormality in Prostitution—A Discussion of Male Prostitution in Society Today"]

[Excerpts] [passage omitted] The current "male prostitution" phenomenon presents society with a new problem. [passage omitted] Through more than two years of investigation, the writer has obtained some data about male prostitutes and he will make a cursory analysis of their life style and traits, as well as the changes in their sexual psychology that they can produce.

### Today Male Prostitution Is a Scourge That Has Grown on Soil Where There Are Numerous Wealthy Females

In today's society, more and more females are wealthy. They obtain their wealth through different means. Some get it through their own abilities, some depend on gifts from their husbands (these gifts include both regular sums that the husband gives, and irregular gifts of large sums that the husband pays to buy off his wife so that he can lead his own life of debauchery), etc.

A small number of these females have plenty of money and ample time (they are allowed to have only a single child and they hire a teacher to teach the child at home). However, the monotony and loneliness of their lives create a spiritual void and no physiological fulfillment. The material life that these females formerly pursued they have now obtained. They have sufficient money, and as their concepts of morality have declined, new needs have arisen. Thus some males have become their prey, so that a new repulsive social phenomenon has come about: male prostitution has risen to fill these females' needs. It is apparent from the survey that in an overwhelming majority of cases the needs of these females and their satisfaction are perverted and abnormal. They are a means for venting revenge and they are virtually devoid of feeling. Because most of these females have been abandoned or "forgotten" by their husbands, or because their husbands are in prison, they lead the lives of "living widows." They have money, a child, a fine house, and a comfortable life, but they lack family warmth, and most of all they lack the normal give and take between husband and wife. Thus, they use this outlet to satisfy their desires, turning revenge on their debauched husbands into a way to make up for the loneliness and the physiological needs that have resulted from not having a husband at their side. Male prostitutes serve as an abnormal outlet devoid of feeling. The more the women spend, the wilder their revenge. The survey also found that for a small number of women an association with a male prostitute that began devoid of feeling or with a desire for revenge developed into an attachment (based mostly on sex). They made a by-the-month or by-the-year deal with a male prostitute who pleased them, or even had the male acquire some working skills, making him their personal prostitute rather than sharing him with their sisters. They spent large amounts of money and wealth on getting the male prostitute to stay by their side and satisfy their needs.

### 2. Requirements For Hiring a Male Prostitute

The traits a male prostitute must possess are as follows:

(1) He must be young, good looking, have a good body and be a good escort (able to sing, dance, and play cards and mahjongg). Male prostitutes are usually between 18 and 30 years of age, and they must understand social etiquette. They have to be good conversationalists, know how to flatter their partner, and be able to use sweet words to please females. One might say that all they possess is a good appearance, they lack brains. Most of



them have little education and no fixed employment. They are loafers, so they have plenty of time. The females spend a lot of time on social activities. Sometimes they may go to several dances in one day, and the male prostitutes must accompany them in order to earn income. To use their words, "unless you go to work (at the dancehall), you don't draw wages." They more time they spend accompanying the women, the more they make. Most important, they must be a tool for satisfying these women's sexual desires. In their association with each other, this is what happens to an overwhelming majority of them. One might say that it is because this is the female's prime requirement and goal. The earnings of male prostitutes who become tools to satisfy women's sexual desires are generally much higher than earnings of those who escort women to have fun, eat, and drink. (2) In our survey of women who sell sex, we found that some of them earn as little as the price of two bowls of noodles. However, the lowest income of a male prostitute is no less than 10 yuan (not including food) plus a pack of cigarettes (Red Pagoda Mountain at 8.50 yuan a pack) and dancehall drinks (4 to 6 yuan at each dancehall). If they have sex, their income is higher. If, in the course of their association, the female comes to like the male prostitute and does not want to part with him, she will think of ways to keep him by her side, putting out money so he can learn a skill such as driving (driving lessons costing at least 2,000 or more yuan), or some may let the male prostitute work with them (in business). The male prostitute must pay the price of being available when called. He becomes the private property of the female until she finds a new love and does not want him anymore. In his association with a woman, except for economic considerations, the male usually may not suggest separation. No matter how great the psychological pressure, he can only be forbearing. (3) Male prostitutes usually frequent places such as dancehalls, karaoke spots, and bars, with dancehalls being the most common place. This means they must be able to dance, and dance well, in order to have more opportunities for showing themselves off and achieving their goal of getting a woman to take a fancy to them. Thus, dancehalls become the mutually recognized go-between for both of them. Naturally, these women cannot be satisfied with eating, drinking, and having fun around town; their goal is to take these male prostitutes home with them to satisfy their private desires. In the tree-lined residential areas of cities that people call "widows' villages," quite a few of the houses that women bosses have purchased are focal points where male prostitutes operate.

### 3. Reasons For Sinking Into Male Prostitution

Unemployment, laziness, and disillusionment with the world are the main reasons for sinking into male prostitution. The rapid development of society requires civil servants and workers in every trade to have knowledge, education, and to be able to master modern equipment and technology. Those who do not study hard (for subjective or objective reasons) during the years they study and obtain

knowledge, and whose educational level is therefore relatively low, are frequently eliminated when they apply for jobs or take tests to become a cadre. They become idlers with nothing to do all day long. This, along with the pervasive worship of money and family pressures means they bear a fairly heavy mental burden. They feel that society has treated them unfairly, and they develop a psychological disillusionment with the world when they are very young. When young people who lack social experience and who are still not very mature suddenly encounter such an opportunity, they may very rapidly take this road consciously or unconsciously. This is because money comes easy this way, and because the "care" that a woman older than themselves gives them requires no effort. Thus they find constant enjoyment and are never bored. Once a male sinks into prostitution, others look down on him. He cannot have a social position and he is sometimes beaten and reviled. Male prostitutes cannot raise their heads among members of their own sex. Normal males abuse such people for "living on prostitute's earnings." Also, male prostitutes cannot associate with normal males. Thus, they can only associate with people of the same sort, with the result that they lack good teaching and inspiration. They can only become more deeply mired and unable to extricate themselves. Because of their perverted frame of mind, they influence and abet other young males, wandering aimlessly in society, to take the road they have taken. They widen their circle in order to satisfy their own unbalanced psychological state. [passage omitted]

### Parents of Grade School Students Call for Help

93CM00154 Beijing FAZHI RIBAO in Chinese  
15 Sep 92 p 2

[Article by Fu Shangshu (0265 1424 2579), Commercial Bureau, Funing County, Jiangsu Province: "Being the Parent of a Grade-School Student Is Exhausting"]

[Text] Parents have long been upset about grade-school children having too much pressure from school. "Save the children" has become the call of whole society! However, for many years the problem has not only remained unresolved, but it has also brought calamity to parents. As the parent of a grade-school student, I have much to say about this. Through investigation, I found that when parents of grade-school students complain about "being exhausted as a parent," they refer mainly to the following:

1. There is too much homework, making parents tired of trying to keep their child company. Students have tons of homework everyday. They do it at noon, in the evening, and even at night. In particular sixth graders—the graduating class—do homework until 11 or 12 every night. Sometimes they even work until 1 or 2 in the morning. No matter how late they stay up, parents have to stay up with them. If the child is left alone, he often ends up falling asleep slumped over the desk. Thus parents have to stay up too, no matter how tired they are.

2. School work is difficult, making it hard for parents to give instructions. Grade-school students have many outside instructional materials, and they come in a wide variety. Take my third grader, for instance: in addition to regular school assignments and homework, he has to do four kinds of assignments which are punished by the Standard Publishing House: after-class worksheets, target tests, unit self-tests, and basic-skills training. Except for the after-class worksheet provided by the school, the remaining materials are purchased by students themselves at the Xinhua Bookstore, thanks to arrangements made by the school. Some instructional materials are pure garbage. Many exercises are well beyond the coverage of textbooks. There is no way students can do them without assistance from parents. Even I, a college graduate, sometimes have difficulty doing some of the homework assigned to a third grader. I am very concerned that after a few years I will not be able to keep up with what I am doing now. In addition, teachers have an unwritten rule that all homework assignments must be signed by parents. Since we have to sign our name on it, we have to be responsible for it. Thus, no matter how long the assignment is, parents have to review the whole thing, check figures, and make corrections. Imagine the amount of work involved when we do this every day!

3. There are too many activities, putting pressure on parents. Parents welcome the idea some extracurriculum activities to encourage a child's independence and creativity. However, now whenever there is an activity, there is an increased burden on parents. Take uniforms, for instance. My third grader has bought four-and-a-half sets of uniforms in less than three years. Children grow fast at this age, and cannot wear the same clothes every year. Most of them are the only child in the family, and as a result, many clothes are wasted, increasing the family's burden. There are also home-made food contests. Today we are making dumplings. Tomorrow, we will make wonton. The day after tomorrow we will be making sticky dumplings or egg rolls. For instance, a third-grade class in a certain school had four or five such activities in slightly over a month. This has parents running in circles. They are told to bring flour one day and stuffings the next. One family is told to bring pots and plates and another family, stoves. In all cases, parents are required to take the materials to school. There is also some kind of work-study program which stipulates, in detail, how many used things each student is to bring to school. For instance, when my child was in first grade, the teacher once asked each child to bring 20 wine bottles to school, and forbade the children to bring money instead. After my child received the "imperial edict," he came home fussing for 20 wine bottles, and would not settle for even one less. Left with no choice, our whole family had to play the role of "scrap collectors," going door-to-door and begging neighbors to let us buy their wine bottles. We finally managed to collect all 20. Parents said, "We hope for activities when there are none; we are afraid of them when they do come."

4. There are too many assignments for parents, creating too many burdens. Many teachers often ask parents to do routine school tasks, such as transcribing teaching materials and making copies of tests. Sometimes when there is a contest or competition, they will baldly tell parents to write essays, draw pictures, or make handicrafts for students. Nevertheless, these can be counted as "public matters." There are also many "private tasks" which are assigned to parents, such as asking them to buy bargain goods, to secure advantages through networking, to knit sweaters, and to do household chores. One of my neighbors has a child in the first grade. The child has been in school for less than one year, yet his parent has already knitted three sweaters for his teacher. Although parents are reluctant to do these things for teachers, they have no choice but to bend over backward for the sake of their child. They say, "We have to create an easy study environment for our child, even if it means more work for us."

5. There is too great an expectation on children, causing parents to relentlessly compare their child with others. Most grade-school students are the only child in the family. Parents hope that their child can one day grow up to be somebody, so they often put too much emphasis on grades. Schools too often use grades to determine who is superior or inferior. To sixth graders, the graduating class, taking tests is all in the day's work. They have "an exam every three days and a quiz everyday." After each test, grades are posted on the wall for all to see. They are listed in the order and are marked with different colors, as if people cannot tell which end is up. As a result, students, teachers, and parents are all comparing one student with one another, based on grades. Since many people still deeply believe in the old idea that "a hero's son is brave and an idiot's son is dumb," a child's achievements become his parents' achievements. Parents whose child has better grades feel they are superior than others and strut about arrogantly, while those whose child has lower grades feel inferior and depressed. Grades, grades, these damned grades! Oh, how many children have been suffocated by them, and how many parents have rejoiced and suffered because of them!

Millions of parents and I are solemnly calling to society and education departments: save the children, save the parents! While promoting reforms in economic and political systems, we must speed up reform of the educational system and establish a new educational mechanism to help screen talented people.

### Expectations of Self-Supporting Students Abroad

93C/MOOSH Hong Kong 14 KUNG PAO in Chinese  
5 Oct 92 p 2

[Article by Zeng Hua (2582 3478). "Expectations of Self-Supporting Shanghai Students Who Study Abroad"]

[Text] According to statistics from the Shanghai Municipal Administration of Higher Education, since 1990 a total of 3,000 Shanghai college students have withdrawn

from school to go overseas, and one out of nine college instructors have gone overseas at their own expense. Of the 240 doctoral students in various research institutes of the Shanghai Branch of the Chinese Academy of Sciences, over 140 have gone overseas... The statistics of the most authoritative survey of China—"the China Census"—shows that temporarily more than 66,000 people have no record of residence in Shanghai because they are either studying or working abroad.

In the late 1980's, Shanghai had a "fever of going abroad." Very few students went overseas at government expense. Most of them were self-supporting. They threw away their "iron rice bowl," spent 20,000 to 40,000 yuan, and resolutely took the tortuous path of "exploring and wandering in foreign land."

According to a recent survey conducted by the Shanghai Municipal Association of Scientists, self-supporting students are a new generation of young intellectuals who have the pioneering and enterprising spirit and who are willing to take risks. Before going abroad, they already had a fairly high level of education and scientific and technological skills. After experiencing more advanced higher education and after tempering themselves in the commodity market, they have not only substantially increased their modern knowledge and improved managerial skills, but they have also become more patriotic than ever. Among the 1,310 self-supporting students interviewed, over 70 percent were young people under 35. With many years ahead of them, they can develop their talents to the fullest. About 85 percent have education at the college level or above. Most of them (802 persons) have a bachelor's and a master's degree. Such a high percentage has attracted the attention of many people. Many of these more than 1,000 people had received many awards and completed scientific research projects before they left the country. After going overseas, they also achieved a series of successes. About 40 percent of them have earned academic degrees. Of the 100-plus essays they have published in foreign newspapers and journals, 23 have won awards. Some people have already made some inventions and secured patent rights. Judging from their ages, credentials, talents, and achievements, it is not an overstatement to regard them as a "talent pool that will span the centuries."

But these future "talents who will span the centuries" are perplexed by certain concepts and difficulties which they have encountered. One of their relatively common and strong complaints is that they cannot tolerate two kinds of social prejudice. One prejudice says that they are "diggers who put money before their lives," and another says that "whoever goes abroad does not love his country."

They are very concerned about whether or not they can secure employment after they return to China. Of the more than 1,000 people who were interviewed, only 22 have returned to China to date. Among them, only four have returned to their original work units, while two have been employed in other areas, one has engaged in individual business, and 15 have not found employment. Now that the number of people returning has increased, many people are waiting for employment. This phenomenon has made self-supporting students very worried.

Streets are narrow and housing is tight in Shanghai. A large number of self-supporting students had problems with housing when they went overseas to study. After their return, they have had even greater difficulty in locating shelter. Some 350 people proposed that we use a better method to replace the rule that requires "housing be returned when all members of a family go overseas."

Self-supporting students are extremely interested in the state's "free-to-come-and-go" policy. About 37 percent of people hope to change the rule that "prevents people from applying for re-exit within two years after returning from overseas." About 40 percent of people demand that the rule regarding "five years of service" for college graduates be reconsidered.

Almost all self-supporting students who are studying abroad hope that Chinese embassies will pay more attention to them in regard to ideological education, academic direction, and domestic communication. When recruiting, they hope that students who have completed study abroad are given first consideration.

They suggest that the "Returned Students Service Center" of the Shanghai Municipal Personnel Bureau expand its scope of service, take responsibility for registering different levels of returned students who are not yet top-notch, and provide timely employment information. They hope that the existing personnel exchange centers of all departments and labor service companies can enthusiastically receive returned students who come to them looking for help in finding employment. They hope to resume the system of "reserving a position without pay" and hope that returned students who are waiting to get married and who are over the age of 35 can be given priority when considering commercial housing.

Departments handling exit and entry matters should improve service quality and change regulations that are unreasonable. Some employees who do not understand foreign languages need translators to verify documents and papers. Students think that asking students who are going abroad to pay for the translation does not make sense, and that it does not seem appropriate to have the parents of students who are going abroad pay for the storage of files.

**Economist Urges Government To Avoid Large Deficits**

9JC'E01208 Taipei CHING-CHI JIH-PAO in Chinese  
21 Oct 92 p 2

[Oral presentation by Hsu Wei-ch'u (1776 0251 0443), professor at Chengchi University Financial Institute, article arranged by Huang Ts'ai-chang (7806 1752 3864), reporter in the economic research department: "Specialist Forum—The Government Should Avoid Raising Debt To Get By"]

[Text] The government is devising ways to revise relevant laws, hoping to raise the limits on bond issues in order to deal with the ever mounting financial deficit. This action by the government is very much deserving of discussion.

Redress of the seriously worsening trend in the central government's financial deficit should be encouraging citizens to participate in the Six-Year Plan for National Construction. We should temporarily delay the implementation of comparatively unimportant developmental projects, and we cannot rely too much on bond issues to solve the financial deficit, in order to avoid repeating the very painful experiences of the Japanese, U.S., British, and other governments.

The worsening finances of the central government have become ever clearer in the past three years. Since 1990 it has become increasingly acute. Especially in this 1993 fiscal year (July 1992 to June 1993), the rate of dependence on bonds reached 30 percent. This amount of the government's reliance on issuing bonds to raise financial resources is the highest in the world. Three of every ten dollars in the government budget comes from borrowing.

According to estimates from the Administrative Yuan's accounting office, central government annual expenditures for fiscal 1994 are expected to be held to 1.1 trillion yuan, but annual revenue will only be 800 billion yuan, for a revenue and expenditure short fall of approximately 300 billion yuan. This should be a preliminary estimate. The actual figures still need budget conference approval before they can be known. But because regulations on the bond issues specify that the limit on central government bond issues (including non-redeemable bond surpluses) is 65 percent of the fiscal year budget, the fiscal 1994 bond issue surpluses should not reach 150 billion yuan. Thus, according to current laws and regulations, the financial short fall of 300 billion yuan cannot be made up by relying totally on issuing bonds. When financial revenue does not meet expenditures, we cannot simply rely on all out bond issues to solve it, because borrowed money will still have to be repaid in the future, and it could affect future government financial operations.

Generally speaking, when government financial "revenues do not meet expenditures" and money is urgently needed, they first might consider increasing tax revenue by such means as broadening the tax base or raising tax rates. Then, government-owned facilities are sold off,

using privatization of government-owned facilities to raise financial resources. Finally, bonds are issued.

When the government lacks money, raising taxes is perfectly justified and is the most normal method. But Taiwan is very peculiar. Representatives especially oppose raising taxes, and the administration also is helpless. Current policy seems to be determined already: a tax rise will not be adopted to raise financial resources. However, if the stock market is not revived, I am afraid that even strong stocks from government-owned facilities will not be sought after.

So, the capability of raising revenue through these three sources of revenue—raising taxes, privatizing or selling off government-owned facilities, and issuing bonds—is very limited.

Government budget expenditures truly cannot be extended with no restrictions whatsoever. Current remedial measures are: 1. Let the public participate in the six-year plan for National Construction as much as possible, and introduce private funds into guaranteed earning projects; 2. Wait for the stock market to take a turn for the better, sell off stocks from government-owned facilities, and increase government annual revenues from "nonbond" channels; 3. Devise methods to reduce the scope of annual expenditures and clarify the degree of importance and urgency of national construction projects. Implementation of projects that need not be completed in six years or that are not as important or urgent can be postponed.

The financial crises that advanced countries have experienced have provided a lesson. Japan's financial situation before 1984 was similar to Taiwan's current situation. Japan had just entered the ranks of large-income countries, and people's demands on the government increased. However, because the government also did not want to levy more taxes, the government's financial deficit continuously expanded, and the government fell into the increasing predicament of relying on bonds to survive.

The United States' financial deficit was very large during President Carter's time. During the eight years of the Reagan administration the deficit continued to expand. The U.S. Senate has passed a law that states the federal budget must be balanced by 1992. Although there still is no way to accomplish this, the law demands that the debt ratio cannot exceed 12 percent and that it must be reduced every year until there is no deficit.

From the examples given above, we can see the government cannot use bonds as a long-term tool for raising financial resources. In the short-term it is fine, but the short-term often evolves into the long-term. Moreover, government bond issues easily slides into inertia, and the government falls into raising debt to get by. This is not good at all for the country in the long term.



### Direct Air Links With Mainland Opposed

93CM0016C Taipei TEULI WANPAO in Chinese  
1 Oct 92 p 14

[Article by Tsai Chin-jung (559) 6930 2837: "Beneficiaries of Direct Air Links With Mainland"]

[Text] The Mainland Commission released the full text of its policy paper on direct links between the two sides of the straits on 13 September. Several scholars attended the meeting and voiced their opinions. At a time when the two sides still harbor hostility toward each other and have not granted mutual recognition, how will the two sides be adversely affected by a rash move to establish direct links? Who will benefit from direct links? Would direct links be in the interest of the people on the two sides? These questions are well worth mulling over.

The policy paper makes its purpose clear and sounds the keynote at the very beginning: the rapidly growing number of visitors across the straits—over 3.8 million by August 1992 (or 2 million, in the estimate of HSINWEN CHOUKAN)—has created a rising demand for direct links. The commission was therefore forced to act before the PRC by working out a plan. However, if we give this matter a tad more thought, we can see that almost all the trips were made by people from Taiwan, while trips by mainland travelers were few and far between. There is no demand on the mainland for direct links. Given the very low national income on the mainland, few people there can afford a plane ticket. In the foreseeable future, therefore, mainland people are unlikely to have any demand for direct links. Thus the demand for direct links comes exclusively from Taiwan. About 3 percent of the travelers went to the mainland to visit relatives, another 3 percent to do business, and 6 percent to sightsee. Of Taiwan's total population of 20 million, only 1.2 percent have a demand for direct links. These figures indicate that direct links are not an urgent need on the part of a majority of Taiwan people. Setting aside the purpose of visiting relatives, both tourism and doing business have little to do with the public's daily lives; they are something only people above the middle class can afford. Will direct links benefit the people on the two sides of the straits? Is it a response to the need of the masses? The answer is no.

We don't know how the commission interprets "the demand for direct links." But as Professor Chang Hsiao-chun [1728 2556 2504] said, "Direct links are one of the people's basic rights. A government that respects public opinion should satisfy public demand." If the people on the two sides have no such demand, the government should not go against their wishes.

It is clear that Taiwan businessmen will be the most direct beneficiaries of direct links. To these frequent flyers direct links have economic value. Yet when we know all too well that it is still Communist China's ambition to invade Taiwan, thereby endangering the security of all of Taiwan, how can we just eye the savings that can be made from direct links, and simply satisfy the

tourist and commercial needs, without considering the process sacrificing the security of the people? It is simply unthinkable to breathe the same breath. The PRC has demanded direct links between the two sides to stand to benefit politically. It is a victory for its "united front" strategy and the nation of its "commerce first" policy. This is why the PRC has been clamoring for direct links, despite its hostility toward Taiwan. In reality, the PRC can then challenge Taiwan and CLC to have been then come forward to challenge the part of China? Taiwan has no international personhood thus time doing so following direct

In its paper the commission placed security on a sincere response that, provided the PRC is without hostility toward Taiwan, it will direct air and direct sea links, for its skin" and find it a fright. Ma Kai [7456 0418] believes links to direct trade and investment. "In my opinion, as long as on full independence and not only lead to direct trade and the five-star emblem appears and to our children studying

Direct links between the two sides is a critical issue; the welfare of the people and their descendants is at stake. That "The direct links plan" be passed by the Legislative Yuan so that the Executive Yuan fails to when it is in session, its approval can we fuel around with such this any way to show respect

### Editorial on Position in World Economy

93CE0121B Taipei CHING-CHEN  
17 Oct 92 p 2

[Editorial: "The Position of Taiwan in the World Economy"]

[Text] Economic and trade relations have been a major focus of discussion in the long period of discussions, views on the status of the Republic of China. Recommendations also vary with customs, and other cultural differences between firms on either side of the straits. It is much easier than with the Mainland China is a large, rich market. The potential gains for Taiwan are engaging in other trade and economic

great. In addition, from the perspective of ethnic identity, we would indeed find it worthwhile to assist the development of Mainland China through economic and trade relations.

However, these factors which ought to spur rapid development of economic and trade relations between the two sides of the Taiwan Straits have not had their full effect because of the dictatorial attitude of the Chinese Communists, and we have even had no choice but two restrict economic and trade relations across the Taiwan Straits. The Chinese communists still have an undemocratic system with no respect for human rights, and there are few signs of improvement as yet. No one in Taiwan, regardless of whether they advocate independence or reunification, is willing to be reunified by the Chinese Communists, which they feel would be an enormous disaster. Not only do the Chinese Communist authorities ignore this fact, they extend their dictatorial attitude to international society, where they attempt to use political and military threats to isolate us and force us to surrender. We see how the Chinese Communists, with regard to the efforts of both parties to enter the GATT (General Agreement of Tariffs and Trade), have attempted the tactic of repeating lies so often that they come to be accepted. They try to lower our status to an appendage of the Chinese Communists. On the issue of the Montreux Convention of 1936, they tried to push us aside, showing a willingness to harm the interests of ROC firms in their efforts to isolate and cut us down. Addressing the fact that Taiwanese firms hope to see measures that will assure that their investments in the mainland will not be nationalized, the Chinese Communist Minister of Foreign Economic and Trade Relations recently made the contrived statement that "the real threat to investments is the 'three no' policy."

The Chinese Communists' disregard for the wishes of Taiwan's 20 million people, and their desire to swallow us up through coercive measures, is completely consistent with their dictatorship and disregard for human rights domestically. Not only must we prevent the Chinese Communists from swallowing up Taiwan to preserve democracy for the 20 million people here, we should also turn back all imperialistic moves by the Chinese Communists so that we can serve as an example and a beacon of hope for democratic reform in the mainland. However, the Chinese Communists have successfully used economic bait to divide opinion in the ROC regarding policy on economic and trade relations across the Taiwan Straits. If we are to achieve a greater degree of consensus on this issue, everyone must have a relatively accurate and similar understanding of the position of the ROC in the world economy.

In assessing our position, the first thing we must understand is that ours is a small economy, and that this is not necessarily a disadvantage. Due to the way we are taught, and to the major-power chauvinism that has always existed in Chinese culture, many people have always thought that small countries lack esteem and have no development

prospects. Recent protectionism abroad and the development of regional economies have also made us worry about being excluded from the various economic blocs. Many people, as a result, always feel that we must have a strong grip on the big market in the mainland, or that we must even combine with the mainland market, if Taiwanese industry is to have a future. However, in reality there are many small economies in the world (such as the Netherlands, Belgium, Switzerland, and Sweden) which are respected and have economic success. The various regional economic organization have not become barriers to trade. While it is true that big regions do have a lot of bargaining power, the world economy is still quite rational. We need not be excessively concerned about small economies being bullied around.

Furthermore, just like small- and medium-sized enterprises, small economies have a flexibility unavailable to some large economies, and this affords them a greater ability to adapt to changing conditions. For example, if the New England region in the United States experiences recession, the United States cannot usually change its national policies just for this one region's sake, so regional recession is difficult to turn around. In a small economy like Taiwan's, however, business conditions do not vary a great deal from place to place. Exchange rate and money supply policies can be adjusted, so economic fluctuations are easier to deal with.

Even if interregional trade barriers actually do increase and force us closer to one economic region or another, in view of the Chinese communists' dictatorship and military threat, we should choose to strengthen cooperation with a relatively friendly region. We do necessarily want to step up cooperation with Mainland China, thereby subjecting ourselves to economic and political threats. Some in the machine building industry have recently stated that close cooperation across the Taiwan Straits has made Japan less willing to sell precision machinery to us, so those in the industry felt that we should formulate a more open policy vis-a-vis the mainland so we can cooperate closely with the mainland machine building industry. However, others feel that in view of Japan's attitude, we should avoid excessively close relations with the mainland so as not to lose the advantage of cooperation with Japan.

Our position in the world economy is the factor that should determine which view is more appropriate, and which regional economy is the most important to us. If we only regard Taiwan as one of the more developed and wealthy regions in the Chinese world which can lead Chinese economic development and provide profits, then we would be overlooking the unique economic position currently enjoyed by Taiwan. In all truth, Taiwan does not have enough money or technology to spearhead the economic development of the Chinese world. Taiwan's real advantage lies in the key significance of its current position.

Taiwan's current level of development situates it between an advanced and a developing country. On the

one hand it has Chinese culture, and on the other hand it has a relatively good understanding of Japanese and U.S. culture and language due to longstanding relationships with each of those countries. Geographically, Taiwan is at the juncture between the Pacific Ocean and the Asian continent, and it is also at the juncture of Northeast Asian Japanese power and the Southeast Asian ethnic Chinese power. This enables Taiwan to act as an intermediary between these two power spheres, and it also means that Taiwan's doings have a major impact upon the balance of power between these two regional groupings. When we take these factors into account, there appears to be no need to be too reliant on the mainland and get trapped. If we make better use of Taiwan's key position and maintain close and balanced economic relationships with the United States, Japan, Southeast Asia, and Mainland China, not only would we increase our economic benefits, we would also enhance national security. By taking advantage of this intermediary function, we could make an even greater contribution to the development of underdeveloped countries in the region than we are presently making by only investing our own funds and technology. This latter behavior only helps other countries to catch up without preventing us from being isolated by other countries. When they draft policy in the future, we hope the government and companies will give more careful thought to our special position, and that they will not think only of one particular market.

### 158 Service Industries Allowed To Invest in PRC

91CF0121C Taipei CHING-CHI JIH PAO in Chinese  
23 Oct 92 p 1

[Article by Liu Hsiu-Chen (0491 4423 3791) and Yu Chih-Ch'in (0060 6400 3830): "158 Service Industries Allowed To Invest Indirectly in PRC"]

[Text] The Executive Yuan's Mainland Affairs Commission (MAC) decided yesterday (24 October) to allow 158 indirect investments in the Mainland in the wholesale and service industries in order to support the Mainland investment activities of Taiwan's manufacturing sector. This will allow Taiwan's service industry to compete with foreign firms for the mainland's domestic market.

MAC deputy director Ma Ying-Chiu (7456 5391 0046) stated that this measure could spur another round of Mainland investment fever and lead to ever closer economic and trade relations across the Taiwan Straits.

Yang Shih-Chien (2799 0013 4873), Deputy Minister for Administrative Affairs at the Ministry of Economic Affairs (MOEA) stated that as soon as it receives the approval documents from the Executive Yuan, the MOEA will immediately announce the service industry mainland projects which have been approved, and it will handle the projects in the same way it handles other firms investing indirectly in the mainland.

The MOEA also suggested that the greatest opportunity for development by firms investing in the mainland is in

retail and trade, and that this is not a good time to invest in rental services to support manufacturers because Japanese firms have already moved aggressively into the rental industry, making it difficult for Taiwanese firms to compete without strong support from the banking industry. The MAC held a committee meeting yesterday during which the move to allow service industries to invest in the Mainland was passed in an unscheduled vote. This important policy, upon which drafting work commenced last year in September, was originally to have gone into effect last June, but National Security Agency chief Sung Hsin-Lien (13451800 3423) had disagreements with the overall Mainland policy, so the issue was temporarily shelved.

Yang Shih-Chien stated that the government has already approved the mainland investment projects of more than 3700 manufacturing firms, so it was inevitable that the service industries that complement these manufacturers would inevitably follow. Furthermore, the Chinese Communists have recently expanded approval of foreign investment to the service sector, so firms have to seize the opportunity to develop the mainland domestic market. We have no reason to hand a market with such great potential over to foreign firms.

MOEA statistics indicate that at the end of last year, personal savings in the mainland were in excess of one trillion renminbi. This pent up purchasing power and the 1.2 billion population show that the consumption potential of people in the mainland is enormous.

Ma Ying-Chiu stated that the service industry projects approved for mainland investment go through one of two approval procedures: regular approval and individual case review. Most are service industry projects under the jurisdiction of the MOEA. In the future the government will increase the number of projects approved in accordance with the requirements of economic development and the state of economic and trade relations across the Straits.

The first group of approvals includes 141 projects. Once the firms have registered with the appropriate government agency they can invest in the mainland. Different industries fall under the jurisdiction of different agencies, as follows:

The MOEA has jurisdiction over 130 projects in the wholesale, retail, international trade, food, consulting, advertising, personal services, and entertainment industries.

The Environmental Protection Agency has jurisdiction over service industries engaged in sanitation and pollution prevention. Only one project has been approved in the business waste treatment industry.

The Ministry of Communications has jurisdiction over the social services industry, including driving schools, transport companies, bus companies, and the taxi industry. There are three projects in these categories.

The Office of Information has jurisdiction over the publishing, movie and television broadcasting industries, which include book publishing, audio recording, the showing of movie films, the distribution of movie films, broadcast television commercials, television videotape production, and broadcast television shows. There are seven projects in these categories.

Subject to individual case review are 17 projects in such categories as general retail, consulting, communications services, design, and rental services. All are under the jurisdiction of the MOEA. These enterprises must meet the following five conditions to be approved for indirect investment in the mainland: must not prejudice national security or economic development, must continue to invest in Taiwan, size of investment cannot exceed certain percentage of current investments in Taiwan,

publicly listed companies require the approval of their shareholders, and they must not have any projects which violate the regulations of the government agency which has jurisdiction over them.

Yang Shih-Chien stated that the MOEA is now drafting a new procedure for handling indirect investments in the mainland and technology cooperation projects, but the plan to allow service industry investments in the mainland will not be affected. Until the new procedures have been publicly announced, all projects will be handled in accordance with current procedures.

However, those service industry firms which invested in the mainland before the government began to allow it must register with the MOEA within three months after the new policy takes effect in order to avoid sanctions.



### **Business Tycoon Views Political Restructuring Scheme**

93CM0048A Hong Kong TA KUNG PAO in Chinese  
22 Oct 92 p 9

[Article by Luo Te-chen: "We Can Only Reject Determinedly, Comments on the Political Reform in Chris Patten's Policy Address"]

[Text] When the British Foreign Minister Douglas Hurd met the Chinese Foreign Minister Qian Qichen on 26 September, the British side asked the Chinese Government not to criticize Hong Kong Governor Chris Patten's political proposals for the time being until he had the opportunity to explain his proposals.

I understand the reason behind this. The British side hoped that powerful public relations departments would have sufficient time to encourage overwhelming support for Patten's proposals before he visited Beijing. By that time, China would yield to popular pressure, agree to stepping-down the stairs prepared by the British side, and end disputes. As a result, the British side would win a complete victory.

I believe that this strategy might have worked in those years when Hong Kong was ceded during the last phase of Qing Dynasty, and the Chinese people were called the "sick man of East Asia." However, it is really ridiculous to apply it to China today.

On 10 October, Patten publicly challenged those who accused him of violating the Sino-British Joint Declaration and Basic Law explained and pinpointed his specific violations of the two legal documents. I am happy to point them out in this article.

Patten has basically violated the Sino-British Joint Declaration and Basic Law, undermined the future structure of Hong Kong society, and destroyed the tremendous appeal of Hong Kong as a great city.

The Basic Law stipulates that the Legislative Council will have a system of one council, two committees, which exists without a name. It will effectively protect the interests of the people who are few in number but significant in function in society. Of course, the Basic Law can be revised in the future. Nevertheless, before it is revised, it takes time for the citizens to understand, appreciate, and pay close attention to the interests of this section of people.

When the British Colonial Government employed suzerainty practices in Hong Kong, all these important interests were guaranteed by the Queen's representative (the Hong Kong governor) and a well-designed consultative framework.

The political reform proposals in Hong Kong Governor Chris Patten's policy address basically undermined the concept of guaranteeing the interests of those who are small in number but significant in function. The SOUTH CHINA MORNING POST was quoted as

saying on 11 October (Sunday): The proposals "dumped the Basic Law and Sino-British Joint Declaration into the toilet."

In addition, these proposals will lead Hong Kong to the blue-collar autocracy. Naturally, workers' interests should be guaranteed. However, Hong Kong must not regard it as a way of achieving social prosperity to strive for the interests of the blue-collar people alone, because it is very difficult for workers' representatives to resist fighting for demanding more material benefits from the capitalists. Therefore, we cannot hope that they will work for the overall interests of Hong Kong.

In our time, the spirit of democracy is a great free thinking, and any autocracy or dictatorship will limit and harm this spirit. This is especially the case when autocracy is by majority, which is most powerful in posing threats to the spirit of democracy because if a tiny number of people do evil, they will be overthrown easily. On the contrary, if a big crowd of people do evil, it will be difficult to deal with them. As a result, the basic reason for opposing Patten's proposals is that they per se deny democracy.

The true democratic spirit is to establish a set of rules and regulations so that when conflicts occur between different interest groups, all parties concerned can iron out their differences by taking social benefits into account. In the past, the Hong Kong Government persistently solved these kind of differences by autocratic means that have good meaning. The solution offered by the Basic Law to the same problem is to encourage open debates in the Legislative Council to find the best way to solve the conflicts and reach an agreement. At present, Patten's proposals leave the interests of those who are small in number but significant in function completely without any guarantee under the blue-collar autocracy, which will drive away investments, and make the society follow the path of self-destruction to create more conflicts.

This elaborately designed blue collar autocracy will play a role in turning the differences between interest groups from the Legislative Council to society, thus intensifying, magnifying, and continuing them in the course of social movements. Under such circumstance, just think, how can China support any proposal or planning wholeheartedly? The Hong Kong governor has frivolously indicated that Hong Kong is able to undertake the construction of the new airport single-handedly. He got a "thank god" response from the Chinese representative, Chan Zuoer. In this aspect, even if we can regard the governor's frivolous exaggeration as a politician's promise and Chan Zuoer's remarks as a return compliment in the debate, it is certain that Hong Kong cannot withstand the approach the governor assumed. It really intends to "dump the Sino-British Joint Declaration into the toilet."

Some friends in business circles told me that what surprised them most was that the 18 "elite consultants"

appointed by the Hong Kong governor - business consultants of the British Hong Kong Government - went so far as to tacitly consent to the governor's political reform proposals. Can they not yet realize that in the future society under blue-collar autocracy, when labor-management conflict arises, the labor side will always have absolute superiority in the conflict? Perhaps they are more experienced in commercial than political affairs so that they mistakenly believed that Patten's political reform proposals could bring about "more democracy." This is pathetic. If and only if they can spend more time to study, they will see that it is hard to find a political system in the world that is more undemocratic and autocratic than the blue-collar autocracy.

Hong Kong is different from Britain. The Hong Kong people do not have any oil fields to rely on, and they must work hard for prosperity through their own efforts. This is the special character of Hong Kong society. Generally speaking, the kind-hearted Hong Kong people will support Patten's proposal on social welfare because with social wealth, they will be happy to have the welfare policy improved as the economy prospers. Moreover, these welfare policies seem to serve as a guarantee in theory. When the situation is not good enough, we can repeal them at any time.

However, unfortunately, as citizens are accustomed to enjoying welfare in economic good times, they tend to regard it as a right that they will not give up under any circumstances. Poisoned by the rewards given by the British Hong Kong government, the spirit of self-reliance

and working hard that the Hong Kong people have accumulated for years is all gone. If these material benefits are designed specially for people who are 70 or above, that will be much more rational.

Why did Patten raise a set of political reform proposals that he knew perfectly well to be a basic violation of the Sino-British Joint Declaration and the Basic Law, and damage the entrepreneurial spirits of the Hong Kong industrialists and businessmen? Why did Patten put forth a welfare plan with which he knew perfectly well the Hong Kong people would develop a habit of dependence? Is he trying to seek the crown of Julius Caesar the Great for himself before he returns to the British political arena triumphantly? Then, for a young politician who strives for fame within a short period of time at all costs, our criticism might seem too harsh. But in reality, how can Patten resist the temptation of being generous in offering social welfare at Hong Kong people's expense?

In the coming years, I believe that no one will criticize Patten's policies on removing Executive Council members from office, and those who express uneasiness over Patten's social welfare policies will also respond weakly. True, we are surprised at his frivolous remarks on the airport project; but as far as his political reform proposals are concerned, we can only reject them determinedly.

Viewing the above-mentioned considerations, a new consensus of understanding on the airport issue within the foreseeable future seems unrecognizable.

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